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Grenada—Recent Economic Developments

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GRENADA

Recent Economic Developments

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Grenada: Basic Data

I. Social and Demographic Indicators

Area (sq. km)	344	Nutrition	
Population (mid-1996)		Daily calorie intake (1992)	2,400
Total	98,600	Protein intake	
Rate of growth (percent a year)	0.7	(per capita grams/day)	81.1
Density (per sq. km.)	287	Health	
GDP per capita (US\$)	3,014	Population per physician	1,253
Population characteristics		Population per hospital bed	290
Life expectancy at birth (years)	78.1	Education (1995)	
Crude birth rate (per thousand)	21.3	Enrollment rate, percent in	
Crude death rate (per thousand)	7.9	primary education	82.2
Infant mortality (per thousand live births)	14.3		

II. Economic Indicators, 1992-97

	1992	1993	1994	1995	1996	Proj. 1997
	(Percentage change)					
Real GDP (in constant prices)	1.1	-1.2	3.3	3.1	3.5	3.6
Agriculture	-2.7	-4.3	-6.2	6.8	-4.9	-10.6
Manufacturing	11.4	-12.5	7.6	7.7	5.6	0.1
Construction	-6.1	4.5	1.1	2.5	11.5	8.5
Hotels and restaurants	17.3	2.2	25.5	-5.3	3.5	3.5
Transport and communications	3.1	2.1	6.4	5.1	6.1	5.8
Investment, consumption, and savings ratios						
Gross domestic investment/GDP	34.2	37.1	34.8	39.4	43.7	44.3
Private consumption/GDP	58.5	60.6	58.7	54.8	56.8	59.1
Public sector consumption/GDP	17.8	16.8	16.8	16.7	22.1	21.8
Gross national savings/GDP	24.3	21.1	31.4	37.2	34.6	32.8
	(In millions of Eastern Caribbean dollars)					
Public finances						
Central government						
Total revenue and grants	170.3	192.2	192.3	210.7	230.3	236.5
Current revenue	158.7	173.1	170.3	188.1	199.6	209.3
Tax revenue	144.8	155.2	154.1	168.4	181.5	188.1
Nonlax revenue	14.0	17.9	16.2	19.7	18.0	21.2
Capital revenue	0.2	0.9	0.0	3.1	0.3	5.0
Grants	11.4	18.1	21.9	19.6	30.4	22.3
Total expenditure	182.5	193.5	228.1	214.7	260.1	266.4
Current	161.9	161.9	169.5	171.4	182.7	201.0
Capital	20.6	31.5	58.7	43.3	77.4	65.5
Current balance	-3.2	11.2	0.9	16.7	16.9	8.3
Overall balance (including grants)	-12.2	-1.3	-35.9	-4.0	-29.8	-29.9
Public sector						
Current balance	22.6	35.2	28.4	40.4	41.3	39.3
Capital expenditure	27.8	53.8	81.8	51.5	83.8	86.8
Overall balance (including grants)	9.1	17.1	-22.5	13.1	-11.6	-19.2

Grenada: Basic Data (concluded)

	1992	1993	1994	1995	1996	Proj. 1997
	(In percent of GDP)					
Memorandum items:						
Central government saving	-0.5	1.7	0.1	2.2	2.1	1.0
Public sector saving	3.4	5.2	4.0	5.4	5.1	4.6
Public sector capital expenditure	4.2	8.0	11.6	6.9	10.4	10.3
Public sector overall balance (including grants)	1.4	2.5	-3.2	1.8	-1.4	-2.3
	(Percentage change)					
Monetary accounts 1/						
Net foreign assets	7.7	1.0	7.9	9.7	-4.8	-2.0
Money and quasi money	8.3	7.2	10.9	9.4	9.1	7.5
Net domestic assets	0.6	6.2	2.9	-0.3	13.9	9.5
Public sector credit (net)	-7.3	-2.7	-2.4	-1.6	1.6	0.5
Private sector credit (net)	7.9	10.4	2.7	4.9	11.2	9.1
Prices						
Consumer prices (annual average)	3.8	2.8	2.6	2.2	2.8	1.1
External sector						
Export volume	-7.7	9.8	-0.2	-11.2	-3.1	3.9
Import volume	-9.5	20.9	-6.1	2.7	16.7	7.1
	(In millions of U.S. dollars, unless otherwise indicated)					
Balance of payments						
Trade balance	-81.6	-96.6	-91.0	-102.2	-126.4	-137.7
Exports, f.o.b.	21.5	21.5	24.6	23.2	21.0	21.5
Imports, f.o.b.	103.2	118.1	115.6	125.4	147.4	159.2
Services and income (net)	38.0	39.4	55.3	61.4	64.1	63.5
Current account	-24.3	-40.3	-9.1	-5.9	-27.3	-36.1
Capital and financial account	32.1	42.0	19.1	10.5	25.7	35.2
Overall balance	7.8	1.7	10.0	4.6	-1.6	-0.9
Change in net imputed official reserves	-8.1	-1.0	-4.2	-5.6	1.0	1.5
Other financing	0.3	-0.7	-5.8	1.0	0.6	-0.6
Memorandum items:						
Debt service ratio 2/	6.7	5.5	5.1	5.4	4.1	5.0
Current account (as percent of GDP)	-9.9	-16.1	-3.5	-2.1	-9.1	-11.5
External debt outstanding (end of period)	91.0	87.3	84.2	84.3	85.5	85.7
Net imputed reserves (end of period)	25.9	26.9	31.1	36.7	35.7	34.2

Sources: Grenadian authorities; and Fund staff estimates.

1/ Change relative to the stock of broad money at the beginning of the period.

2/ As percent of exports of goods (f.o.b.) and nonfactor services plus net current private transfers.

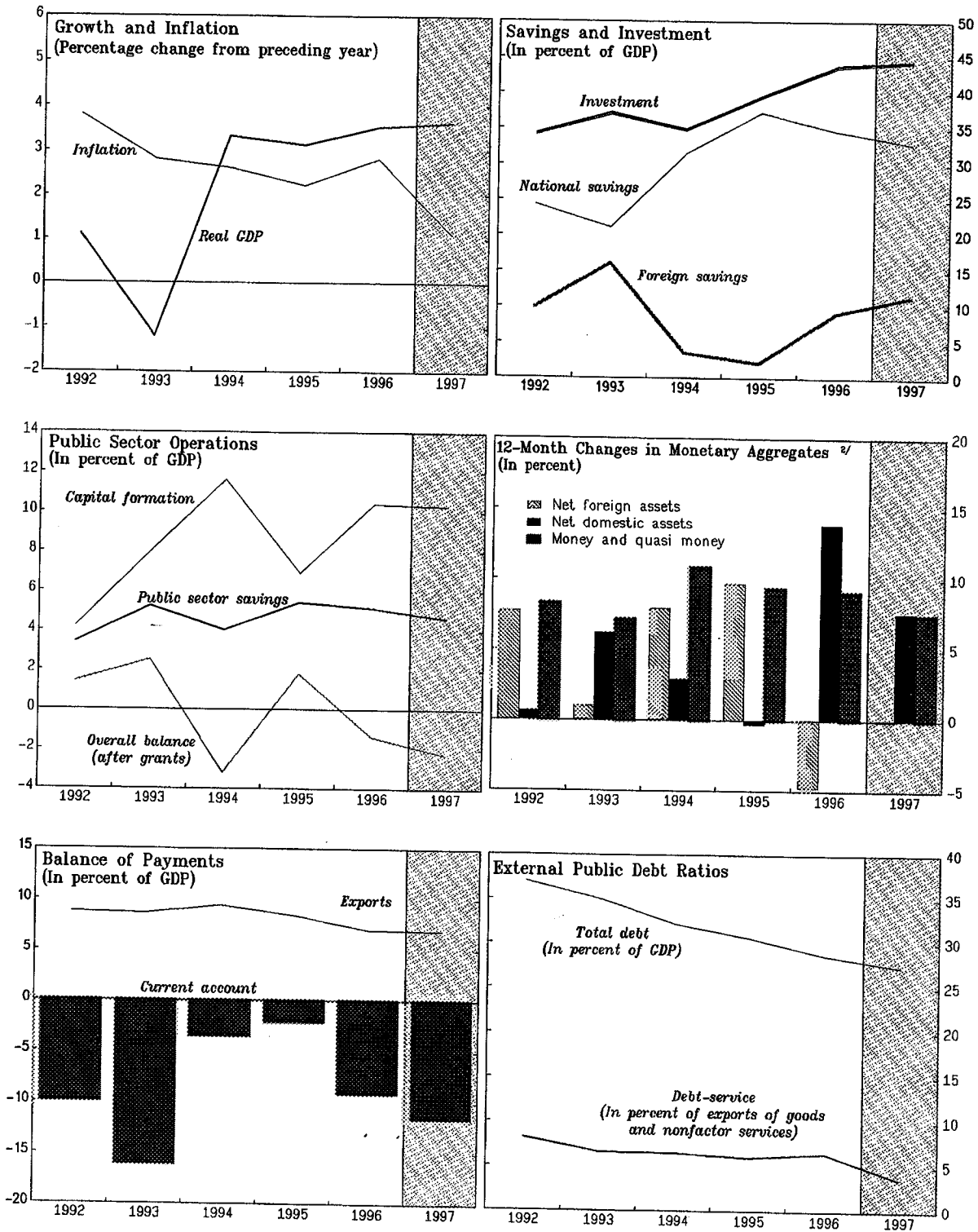
This report provides background information to the staff report for the 1997 Article IV consultation discussions with Grenada. It presents an overview of recent macroeconomic trends focusing on output, the public finances and the external sector. Also, it includes two appendices describing developments in tourism and the labor market.

I. DEVELOPMENTS IN THE REAL SECTOR

A. Introduction

1. Grenada is a small, open economy which is heavily dependent on tourism and the production and export of a few commodities, principally nutmeg, cocoa and bananas. Export crops are affected by plague and high production costs, and banana exports in particular, by quality problems and a strong dependency on protected markets. Nonagricultural exports are small and directed to other countries in the Caribbean Common Market (CARICOM) and the United States. While Grenada's share in the Caribbean tourism market has risen in recent years, competition is intense and the financial condition of a number of small hotels remains fragile. The narrow export base and the dependency on a few export markets make the economy highly vulnerable to external shocks.
2. Macroeconomic conditions have remained broadly favorable in recent years (Figure 1). Membership in the Eastern Caribbean Currency Union and the stability of the Eastern Caribbean dollar, which has been pegged to the U.S. dollar since July 1976 at the rate of EC\$2.70 per U.S. dollar, have helped maintain inflation low. External assistance (grants and concessional financing) and privatization receipts have supported the operations of the public sector and the balance of payments and contributed to a reduction in the stock of public debt and debt-service obligations. Remittances of Grenadians abroad and capital inflows have helped cover large trade deficits. Generally sound policies and the implementation of structural reforms have helped improve private sector confidence over the past few years.
3. Following a strong expansion over the period 1987-91, real GDP grew at a slower pace in 1992 and declined in 1993 (Tables 1 and 2), largely reflecting the adoption of adjustment measures and a severe drought. Growth resumed in 1994 due to stronger tourism and manufacturing activity, the installation of new electricity generating capacity and increased output by the water company. In 1995, real GDP continued to expand at an annual rate of around 3 percent, mainly because of a recovery in agricultural output induced by higher export prices and despite a slump in tourism related to problems that affected air access to the country. Notwithstanding a sharp contraction in agricultural output, real GDP again grew in 1996 by about 3 percent, on the strength of a substantial increase in construction activity related to higher public capital expenditure and private investment in hotel and residential accommodations. Real GDP continued to grow apace in the first half of 1997.

Figure 1. Grenada:
Selected Economic Indicators 1992-97 ^{1/}



Sources: Ministry of Finance; the Eastern Caribbean Central Bank; and Fund staff estimates.

1/ Shading for 1997 indicates projections.

2/ In relation to M2 at the beginning of the period.

4. Following the adjustment and structural policies launched in 1992, national saving rose from an average of 23 percent of GDP in 1992–93 to 34 percent of GDP in 1994–96, while gross domestic investment rose from 36 percent of GDP to 39 percent of GDP over the same period (Table 3). However, in the context of a more expansionary fiscal policy, national saving declined somewhat in 1996, while domestic investment is estimated to have risen to around 44 percent of GDP. The very high investment rate may reflect inefficiencies, associated in part with the large capital outlays relative to the scale of operations required in small island economies, as well as statistical inaccuracies.

B. Sectoral Developments

Agriculture

5. The share of agriculture in GDP declined steadily from 12.2 percent in 1992 to 10.2 percent in 1996. This reflected mainly a reduction in the production of traditional export crops (nutmeg, bananas and cocoa) due to natural disasters (crop disease and drought) and low or falling international prices (Table 4).

6. The production of nutmeg declined by an annual average of 12 percent during 1992–94, largely because of a fall in world market prices and the drought of 1993. The decline in world prices followed the breakdown of the 1987 agreement between Indonesia and Grenada to control the world nutmeg market. The price of nutmeg rose in 1995–96 and production recovered somewhat.

7. Banana production has declined steadily since 1988, with exports falling below the annual European Union (EU) quota of 31,000 tons beginning in the mid-1980s. It dropped by about 70 percent over the period 1992–96. Exports, at around 1,000 tons in 1996, were 71 percent lower than in 1992, and prospects are not good (Box 1). The fall in exports reflects mainly the impact of drought and crop disease, and more recently a decline in banana quality, due in part to the exit from the industry of large producers. Over the period 1992–95 banana prices were relatively steady, but they fell by 33 percent in 1996.

8. After declining in 1993–94 due to the onslaught of the mealy bug infestation, cocoa production grew by about 30 percent during 1995–96. This resulted from better prices and the shift of some farmers to cocoa cultivation as an alternative to bananas.

Manufacturing

9. The manufacturing sector in Grenada is small and primarily geared to the production of light manufactures, such as, beverages (beer, malt, rum, soft drinks), paint and varnishes, garments, flour, animal feed and toilet paper. Although most of these manufactures are produced for the domestic market, some products are exported to other countries in the CARICOM region, the United States, and the European Union (EU).

10. Since 1992, the composition of manufacturing has shifted from the production of beverages (beer, rum and soft drinks) to the production of paint, varnishes and animal feed. The production of beer declined by 11 percent during 1992–96, due in part to competition from regional producers and smuggling. In 1993, an import quota on beer and malt from regional producers and a tax on nonreturnable (imported) bottles were imposed and subsequently, the production of beer, malt, and stout increased markedly (Table 5).

Box 1. Prospects for Banana Exports

Prospects for banana exports are poor because preferential entry to the European market is likely to lapse at the end of the century. Grenada, along with other African, Caribbean, and Pacific (ACP) countries, benefits from a preferential duty-free quota for bananas exported to the European Union (EU), which is presently the only market for Caribbean banana exports. In May 1997, a World Trade Organization dispute settlement panel ruled that the EU's preferential banana import regime for ACP countries was inconsistent with the General Agreement on Tariffs and Trade. Although the EU has appealed this decision, it has indicated that preferential arrangements for bananas under present Lomé protocols (which expire in February 2000) would give way to a more competitive regime.

The potential economic and social dislocation from the impending loss of the preferred market status is not likely to be acute for Grenada. The importance of bananas in the economy has declined markedly over the years and exports have consistently fallen far short of the EU quota of 31,000 tons. After peaking at 21,000 tons in 1988, production has declined steadily to only 4,000 tons in 1996. While total exports relative to GDP declined to 7 percent in 1996 from 8.3 percent in 1995, banana exports relative to GDP fell to 0.2 percent from 0.7 percent over the same period. In 1997 banana exports are expected to fall sharply to just over the 100 tons that were shipped in January. This would be the result of an indefinite suspension of banana shipments imposed on Grenada following a sharp deterioration in quality largely caused by plague. Workers in banana production are reported to be highly mobile, and are also involved in the cultivation of other agricultural crops including mace and nutmeg.

The Grenada Banana Cooperative Society (GBCS) projects that banana production will reach 14,000 tons by 1999. To this end, it is seeking increased government assistance to fund a crop rehabilitation program based on the introduction of tissue cultured plants. However, the GBCS's output target appears difficult to attain, as output has fallen short of that target by wide margins since 1993.

11. High wages relative to those in competitor countries such as Mexico, Haiti and the Dominican Republic have imposed limits on the growth of manufacturing. Indeed, some manufacturing activities have been moved to these countries to take advantage of the lower wages. Recently, however, there has been some growth in data processing and offshore financial and gaming operations and the authorities view further development of these activities as an alternative to manufacturing.

Construction

12. Retrenchment in public investment during 1990–92 led to the contraction of value added in the construction sector. Subsequently, however, construction recovered owing to increases in residential construction and higher public investment. Much of the residential construction has been financed by remittances from abroad. In 1996, value added in construction grew strongly (11.5 percent), as public investment increased markedly, and the virtual elimination of the personal income tax appears to have boosted residential construction.

C. Prices and Labor Market Developments

13. Inflation, which had reached 4.6 percent during 1992, was only 2 percent during 1994–95, but rose to 3.2 percent during 1996 in part due to the effect of new indirect taxes. However, a favorable trend in import prices, particularly of fuels, has subsequently helped lower inflation, with the 12-month rate of inflation falling below 1 percent in June 1997. Food and beverages, housing, and services are the components with the largest weights in the CPI. Since 1993 the prices of food and beverages have increased by an average of 4.6 percent a year, while the prices of housing and services have fallen by an average of 0.3 percent a year (Table 6). The moderate inflation reflects the low rate of increase in import prices and, as noted above, the stability of the Eastern Caribbean dollar.

14. The authorities maintain price controls in the form of maximum distribution markups at the wholesale and the retail level. The number of items subject to price control was reduced from 64 to 47 in 1994, when certain markup limits were revised upward. At present, the maximum wholesale markup ranges from 7.5 percent to 15 percent, while the maximum retail markup ranges from 10 percent to 40 percent, with most goods subject to a maximum markup of 15 percent.

15. Official labor market data are not readily available in Grenada. However, the public finance statistics indicate that compensation for central government employees grew at an annual average rate of about 8 percent in 1995–96, after increasing at an annual average rate of 2½ percent in 1993–94. Partial information suggests that increases in private sector wages averaged 5.5 and 4.7 percent in 1995 and 1996 respectively, compared to average increases of 4 to 6 percent a year over the period 1993–94.

16. Unemployment, which appears to include a measure of the seasonally and voluntarily unemployed, reportedly declined from 27 percent in 1994 to 18 percent in 1996. The strong growth in the tourism and construction sectors may have contributed to this decline.

D. Poverty Alleviation Programs

17. Despite the relatively high unemployment, there are few overt manifestations of poverty; to some extent, this reflects the degree to which remittances from abroad are important in sustaining living standards. In addition, the government operates a variety of social safety net programs with annual spending averaging around 0.6 percent of GDP. These programs include transfers for the operation of government-owned and privately run day care centers for children under five years of age and to support the operation of homes for the aged, as well as for orphaned, abused or handicapped children. The government also provides financial assistance for victims of natural disasters, a welfare allowance for needy citizens over the age of 60, and grants to youth rehabilitation centers and nongovernment organizations such as the Blind Welfare Association and the Red Cross.

18. Although most of the social safety net programs are under the purview of the Ministry of Social Affairs, the Ministries of Education, Labor and Health also carry out certain poverty alleviation programs. The Ministry of Education operates a school books and uniform program and a school meals program. The school books and uniform program provides benefits to needy students, while the school meals program provides daily lunch and a snack to all primary and pre-primary school children. Students who attend government secondary schools also receive school lunches. The Ministry of Labor runs a skills training program for unemployed persons between the ages of 13 and 25 and also promotes the creation of jobs by providing start-up financing for small projects, particularly in the area of arts and crafts. The Ministry of Health sponsors free weekly clinics in each of the districts in the country, with a small group of medical and dental professionals serving as volunteers and the ministry providing the facilities and medication.

E. Environmental Protection

19. A National Sustainable Development Council was established in 1996 to heighten awareness of the need to promote growth without endangering the environment. Also, in 1996 a unit was created in the Ministry of Finance to review land development proposals and ensure that only those meeting certain environmental criteria would be approved.

20. In 1995, a state-owned company was created to manage the collection, transportation and disposal of solid waste and a site has been chosen for a modern disposal facility. The construction of this new facility is being funded by the World Bank, the Caribbean Development Bank (CDB) and the European Investment Bank (EIB). At the same time, the National Water and Sewerage Authority (NAWASA) initiated in 1995 a program to upgrade the water delivery and the sewage disposal systems with funding from the World Bank.

21. The British Development Division (BDD) together with personnel from the Ministry of Agriculture and the United Nations Development Program (UNDP) have undertaken

several watershed and forestry management projects in recent years. Moreover, the Grenadian authorities recently declared a section of Mount Hartman to be a national forest reserve in order to preserve the natural habitat of the Grenadian Dove, of which there are only six remaining pairs.

22. With respect to beach degradation, a project was approved in 1996 to monitor changes in the sea level around the island with funding from the Global Environmental Trust Fund of the World Bank. The project is to commence in 1997 and would supplement efforts to combat coastal erosion through sea defense projects financed by the Kuwaiti Fund and to prevent the overmining of coastal areas for sand and aggregates.

II. THE PUBLIC FINANCES

A. Overall Trends

23. Following adjustment measures in 1992, the public finances strengthened in 1992-93, and subsequently have remained generally sound. Public sector saving rose more or less steadily from 3.4 percent of GDP in 1992 to 5.4 percent of GDP in 1995 before declining slightly to 5.1 percent of GDP in 1996 (Table 7). The improved saving performance reflected principally an improvement in the central government current balance, which shifted from a deficit of 0.5 percent of GDP in 1992 to a surplus averaging around 2.1 percent of GDP in 1995-96. The overall balance of the consolidated public sector¹ registered surpluses in 1992-93 and in 1995. However, due to a substantial rise in investment it moved to a deficit of 3.2 percent of GDP in 1994, which was financed by privatization proceeds and substantial external financing. In 1996, the public sector balance again showed a deficit, of 1.4 percent of GDP, mainly because of a sharp rise in externally financed investment by the central government.

¹The consolidated public sector covers the accounts of central government, the National Insurance Scheme, (NIS), and the five largest public enterprises, namely: the Grenada Electricity Services (GRENLEC), the Grenada Port Authority, the Grenada Sugar Factory, the National Marketing and Importing Board (NMIB), and the National Water and Sewerage Authority (NAWASA). Three smaller public enterprises are excluded from the consolidation due to the lack of consistent data on their operations. In 1995 GRENLEC was privatized and its operations have since been excluded from the public sector accounts.

B. Central Government Operations

Revenue

24. Some of the key adjustment measures taken in 1992 included the restructuring of the debt-service levy through the introduction of four progressive rates, the elimination of certain exemptions to the general consumption tax, and the removal of import duty exemptions for most statutory bodies. In 1993 and 1994, additional measures were taken as a customs service charge and an annual stamp tax were introduced and the property tax roll was updated. In the last quarter of 1994, the government passed legislation to reintroduce taxes on income and profits; the new system became operational from January 1, 1995 but the tax was applied retroactively to income earned in 1994. As a result, central government current revenue increased from 24 percent of GDP in 1992 to 25.2 percent of GDP in 1995.

25. A key electoral promise of the new administration that took office in mid-1995 was to abolish taxes on personal income in order to increase incentives to save and invest. In April 1996, the income tax threshold was raised from EC\$10,000 to EC\$60,000, effectively exempting about 95 percent of tax payers from this tax. To offset the virtual elimination of the personal income tax, the authorities doubled the customs service charge (to 5 percent), eliminated the general consumption tax exemption on electricity and telephone services, and increased several fees. Nevertheless, tax collections and nontax revenue fell slightly and current revenue declined by about ½ percent of GDP in 1996 (Table 9).

Expenditure

26. Current expenditure declined almost steadily from approximately 24.5 percent of GDP in 1992 to 22.7 percent of GDP in 1996 (Table 10). This reflected a wage freeze during 1992-94, and efforts to reduce the size of the civil service and to strengthen control over the other noninterest current spending.

27. The number of civil servants was cut from 5,964 at end-1992 to 5,350 at end-1996. This was accomplished largely through attrition and a reduction in temporary staff.² At the same time, some vacant positions were eliminated and recruitment limited. Also, to induce certain employees to take early retirement, the time necessary to qualify for a full pension was reduced in 1994 from 33.3 years of continuous service to 26.6 years. In 1995, a restructuring of pay and grading was initiated with a view to raising civil service wages to competitive levels and linking wage increases more closely to performance. This resulted in wage increases

²Retrenchment efforts focused mainly on temporary staff after a 1994 court ruling raised the cost of separating certain permanent staff. It upheld that any public servant who had held a permanent position and whose date of employment preceded 1983 was entitled to be paid at the time of involuntary separation a pension and gratuity calculated as if the person had attained the compulsory retirement age of 60 years.

averaging around 8 percent in 1995–96. In all, personnel expenditure declined from around 13.5 percent of GDP in 1992 to around 12 percent of GDP in 1994–96.

28. Capital expenditure grew strongly from a low base of 3 percent of GDP in 1992 to 8 percent of GDP in 1994, financed by increased external support, improved savings, and divestment receipts. After declining to about 6 percent of GDP in 1995, capital expenditure of the central government rose to around 9.5 percent of GDP in 1996. While the increase in 1996 partly reflected the implementation of projects delayed in the previous year, it also represented strong efforts to improve the implementation rate of the Public Sector Investment Program (PSIP) through better coordination among executing ministries and less cumbersome tendering procedures which encouraged more private firms to compete for projects.

29. In the period 1994–96, some 70 percent of the PSIP was concentrated on agricultural and infrastructural projects, accounting for an average of 14 and 56 percent of total PSIP resources, respectively (Table 13). These projects were aimed at improving the aging, and to some extent neglected, road network, water mains and the generating plant at the island's power station. In an effort to improve project implementation and promote private sector development, the authorities began awarding contracts to private sector firms to carry out some projects that had been previously executed by or through the Ministry of Works.

30. The implementation rate of the PSIP improved from around 35 percent in 1992 to almost 60 percent in 1996. However, constraints still remain in the form of delays in document preparation, limited staff to monitor implementation and conduct proper project evaluation, shortfalls in counterpart financing associated with cash flow constraints, and, in some cases, slow response by some donor or creditor agencies. The efficiency of investment is of concern to the authorities, who acknowledge the need to improve project selection and evaluation.

C. Financing

31. In the period 1992–96 overall deficits were financed, for the most part, by external financing and, in 1994, by divestment proceeds. Foreign loan disbursements peaked in 1994, reflecting increased confidence by external creditors and donors prompted by the efforts at fiscal consolidation. During 1992–95, the public sector reduced its indebtedness with the domestic banking system. Contrary to expectations, the large increase in investment of 1996 was not matched by divestment proceeds and the government resorted to an increase in net credit from domestic commercial banks and incurred arrears.

32. The stock of external arrears declined from 4.2 percent of GDP at end-1992 to 2.9 percent of GDP at end-1996. With respect to domestic arrears, in 1993 the government eliminated outstanding arrears through the issue of government bonds of varying maturities for approximately EC\$27.1 million. The authorities also consolidated the outstanding government debt to the NIS into a new bond issue of EC\$49.9 million. Efforts were also made beginning in 1993, to eliminate the past tendency to build up arrears to the domestic private

sector in the face of cash flow constraints. However, slippages were experienced in 1995 and 1996.

D. The National Insurance Scheme (NIS)

33. The NIS is funded by both employers and employees who, until recently, contributed 4 percent each of the employee's gross salary, not exceeding a threshold of EC\$1,250 a month. This threshold was doubled to EC\$2,500 per month in September 1995. Additional revenue is generated from returns of the investment portfolio, which consists of government securities, mortgages and equity holdings in public and private sector enterprises. The NIS generated current account surpluses through 1993, despite nonpayment of government contributions. The current account surplus declined slightly from 2.2 percent of GDP in 1992 to 1.9 percent of GDP in 1994, due to contribution losses associated with civil service retrenchment and the costs of modernizing its records systems. Reflecting the increase in the income threshold, the current account surplus increased to 2.2 percent of GDP in 1995 and to 2.5 percent of GDP in 1996.

34. The share of government securities in the NIS portfolio declined from about 90 percent in 1992 to around 49 percent in 1996, mainly because of the rapid growth in mortgages and equity investments. Also, the NIS has a small portfolio of loans to state enterprises extended at market interest rates and only to finance capital projects.

35. The overall balance of the NIS deteriorated somewhat from nearly 2 percent of GDP in 1992 to around 1.4 percent of GDP in 1994, due to capital expenditure associated with the costs of computerization. Since then, the overall surpluses have increased steadily, averaging 2.2 percent of GDP in 1995-96.

E. The Nonfinancial Public Enterprises³

36. Since 1992, the five major public enterprises have shown overall surpluses on their current account balance. Also, overall balance of the consolidated public enterprises was in surplus until 1996, when it moved to a small deficit due to higher investment by NAWASA and the Port Authority.

37. In 1996 NAWASA implemented a leak detection and mains repair program to improve the water supply system which had been experiencing distribution losses estimated at

³Public enterprises not covered in this consolidation include the Airport Authority, the Model Farms Corporation, and the Gravel, Concrete, and Emulsion Products Corporation. Data on the financial operations of these enterprises are not available or reliable. In 1995, GRENLEC was taken out of the sample following its privatization.

45 percent. Also, it continued the program initiated in 1995 aimed at installing meters to all users by 1998. Meter installation and the introduction of a pricing reform that made rates for metered users partly dependent on consumption raised revenue in 1996.⁴ However, the current balance remained broadly unchanged as the increased revenue was matched by the higher expenditure associated with the metering program, including the purchase of materials.

38. While the current surplus of the Port Authority rose owing mainly to the higher level of imports, that of the NMIB declined in 1996. The lower current balance of the NMIB stemmed mainly from a decline in the intermediation of bulk milk, rice, flour, fruits and vegetables as higher market prices led producers of certain items to redirect sales from the NMIB to hotels and other customers. Moreover, margins on major products were reduced to maintain low retail prices.⁵

39. In 1996 the current balance of the Sugar Factory deteriorated somewhat because of higher operation costs and lower sales. The higher operation costs resulted from the need to import syrup and molasses for distillery use following a fall in domestic sugar cane deliveries. The decline in rum sales was related to increased competition from other domestic blends of rum prepared with cheaper distillates imported from other CARICOM countries and Puerto Rico. The company expects to deal with the current problems by reducing labor costs, phasing out its grinding operations in favor of importing bulk molasses, introducing new technology for bottling and fermentation, and strengthening marketing strategy to increase its share in the domestic rum market. In 1996 the share of the Sugar Factory's products in the domestic rum market stood at 55 percent compared to 75 percent in 1992.

F. Divestment

40. Efforts to divest public enterprises continued in the period 1992-96, but at a slower pace than in 1983-92 when the number of the nonfinancial public enterprises was reduced from 27 to 8. In 1992, the government sold 90 percent of the equity of the National Commercial Bank, and in 1994 it sold 50 percent of GRENLEC and its remaining 30 percent share in the National Brewery. Also, it leased the assets of the Concrete, Gravel, and Emulsions Corporation to a foreign firm, albeit only until 1995 when the lease was terminated because of differences between the new government and the lessee. In 1995, the government sold an additional 40 percent of GRENLEC.

⁴For unmetered users, rates continued to depend on property values.

⁵The NMIB maintains a 7.5 percent margin on the CIF price and a 2.5 percent margin on the landed price of imported milk, rice and flour. However, both these margins must be approved on a contract by contract basis by the Ministry of Finance which has been using its power to prevent full pass-through of price rises.

Some new enterprises were created in recent years. In 1994, The Financial Complex Services Corporation was created for the specific purpose of constructing the new offices of the Ministry of Finance while avoiding the cumbersome tendering and procurement procedures constraining the Ministry of Works. In 1995, all solid waste services were consolidated into a new company, the Solid Waste Removal Corporation which operates on a commercial basis and is staffed with personnel transferred from the environmental unit in the Ministry of Health.

41. Privatization continued in 1996, when 15 percent of the government's equity in the Grenada Bank of Commerce (GBC) was sold. Also, the authorities announced that an additional 50 percent stake in the bank would be sold to a strategic partner, 10 percent to the staff and 15 percent to other domestic investors. In 1996, the authorities also initiated a program to convert certain government units into statutory bodies run on a commercial basis. In this manner, the Post Office, the Government Printery and the T. M. Marryshow School were removed from the civil service. In June 1997 the authorities sold a controlling stake (50 percent of equity) in the GBC to a foreign bank.

III. THE FINANCIAL INTERMEDIARIES ⁶

A. Overall Developments

42. During the period 1992-96, broad money grew by an average of 9 percent a year, nearly twice the rate of growth of nominal GDP, and it continued to grow apace through end-June 1997. Reflecting the borrowing from commercial banks by the central government, net banking system credit to the public sector expanded by 1.6 percent during 1996, following an average contraction of 2 percent during 1994-95 when the public sector accumulated deposits (Table 14). The growth of credit to the private sector accelerated from an annual average of around 4 percent during 1994-95 to 11 percent during 1996, mainly because of substantial investment by the telephone company in the last quarter of the year. Notwithstanding a reduction in the ECCB's discount rate from 9 percent to 8 percent effective August 1, commercial banks' interest rates changed little in 1996, with 6-months time deposit and prime lending rates averaging around 3 and 10 percent, respectively (Table 18).

⁶In 1993 the Grenada Cooperative Bank (GCB) became a commercial bank and subject to the ECCB's banking regulation; its accounts have been consolidated with those of the other commercial banks since April 1993. For purposes of analysis and comparison, 1993 data in Tables 14 and 16 are given both excluding and including GCB's statistics.

B. The Banking System

ECCB operations

43. The Eastern Caribbean Central Bank (ECCB) exercises full central banking powers, regulates commercial banking activity and issues the common currency, the Eastern Caribbean dollar. Since its establishment in 1983, the ECCB has pursued policies aimed at maintaining adequate foreign exchange cover for the Eastern Caribbean dollar, and strictly limiting credit to member governments (Box 2). The ECCB maintains a 6 percent reserve requirement on

Box 2. Key Aspects of ECCB Monetary Policy

The Eastern Caribbean Central Bank (ECCB) exercises full central banking powers in its eight member countries, including Grenada. It regulates commercial banking activity, and issues the common currency, the Eastern Caribbean dollar. Since its establishment in 1983, the ECCB has pursued policies aimed at safeguarding the value of the Eastern Caribbean dollar, and promoting monetary stability through the observance of statutory limits on credit to member governments. The ECCB charter requires maintaining foreign exchange cover equivalent to at least 60 percent of currency in circulation and other demand liabilities; actual cover has generally exceeded the required level, and stood at 97 percent at end-June 1997. Since 1984, the ECCB has maintained a 6 percent reserve requirement on bank deposits. Apart from mandating a minimum interest rate of 4 percent on saving deposits, the ECCB has allowed banks to freely set lending and deposit rates.

Limits on credit to member governments are as follows: (i) holdings of treasury bills may not exceed 10 percent of the government current revenue for the current year, (ii) holdings of government securities other than treasury bills may not exceed 15 percent of currency in circulation and other demand liabilities, (iii) temporary advances to the government in any financial year may not exceed 5 percent of the government's average annual current revenue in the preceding three years, and (iv) holdings of bonds issued by development finance corporations may not exceed 2.5 percent of the average annual government current revenue over the preceding three years. These limits have effectively controlled the expansion of ECCB credit to member governments.

To help banks manage their liquidity, in 1986 the ECCB permitted interbank lending of commercial banks' excess funds held at the ECCB, and in 1988, it established a facility for the discounting and rediscounting of treasury bills. To develop and deepen the regional financial market, the ECCB now is establishing a regional market for government securities in which all member governments have agreed to participate. Operations could start in early 1998 under MAE supervision. All credit extended by the ECCB is to be constrained by the noted limits. All in all, ECCB credit to the Government of Grenada public sector has been kept within the noted statutory limits and has steadily declined from an outstanding amount of EC\$35 million at end-1992 to EC\$21 million at end-1996. In relation to central government current revenue, these amounts represented 22 percent in 1992 and 10.5 percent in 1996.

The ECCB also exercises supervisory powers. In 1991, all ECCB members adopted a Uniform Banking Act (UBA) which simplified and standardized the ECCB's regulatory and supervisory procedures, tightened the capital requirements for banks, set limits on unsecured loans at 15 percent of the banks' total loan portfolio, and required the publication of financial results.

commercial banks, a rediscount facility, and an interbank money market facility for the placement and transfer of short-term funds among commercial banks. In 1991, all ECCB members adopted the Uniform Banking Act (UBA) which simplified and standardized the ECCB's regulatory and supervisory procedures. In particular, the UBA raised the capital requirements for banks, established limits on unsecured loans at 15 percent of the banks' total loan portfolio, and required publication of financial results.

44. Grenada's imputed share in the net international reserves of the ECCB grew from US\$26 million in 1992 to US\$37 million in 1995 (Table 15). During this period, the central government reduced its indebtedness with the ECCB and commercial banks also increased their deposits at the ECCB. During 1996, net imputed international reserves fell by approximately US\$1 million, as the commercial banks drew down deposits held at the ECCB in order to meet increased credit demand by the government and the private sector.

Commercial banks

45. As of end-1996, the commercial banking sector comprised five banks, with two wholly owned by nonresidents and two others partially owned by nonresidents. The National Commercial Bank was partially divested in 1992, when the government sold 90 percent of the equity (51 percent to the Republic Bank of Trinidad, 35 percent to the Grenadian public, and the rest to investors in other ECCB countries). As noted above, in 1996 the government sold 15 percent of the GBC and in June 1997 it sold another 50 percent.

46. Deposits at commercial banks grew at a fast pace during 1992-95, owing mainly to the improving macroeconomic conditions and rising remittances from nationals living abroad, some of whom are close to retirement age and may be preparing to return to the island. In contrast, credit to the private sector grew at a slower rate due largely to falling credit demand by troubled farmers. Net credit to the public sector declined over this period, as the NIS continued to increase its deposits. In light of the relatively low level of credit demand, the commercial banks increased their deposits abroad and to a lesser extent at the ECCB. Consequently, the net foreign assets of commercial banks rose from a negative US\$2.2 million at end-1992 to US\$20 million at end-1995 (Table 16). Also, banks increased provisioning for bad loans and some utilized retained earnings for expanding and upgrading their premises.

47. During 1996 the growth of credit to the private sector accelerated, as the telephone company took a large loan (EC\$21 million) to finance its investment in infrastructure and lending for trade, tourism and residential construction remained strong. At the same time, as noted in Chapter II, public sector borrowing increased to help fund a large increase in capital spending. To meet the increased credit demand, commercial banks reduced their net foreign assets by about EC\$24 million.

48. Deposit rates have continued to be determined by market conditions, except for the 4 percent minimum rate on saving deposits which was imposed by the ECCB in January 1985 and a 16 percent ceiling on commercial bank lending rates set by the Grenadian Government

(Table 18). Commercial banks have remained relatively liquid since 1992 and until recently there was downward pressure on time and other deposit rates. Three month time deposit rates slipped from a range of around 4–7 percent in 1990–91 to around 2–5 percent in 1992 and 1.5–4 percent by 1994. The prime rate fell by ½ percentage point in 1993 to 10 percent and remained unchanged until 1995 when it was reduced further to 9.5 percent. Although posted deposit and lending rates changed little in 1996, deposit rates paid to large investors began to increase in the second half of the year as liquidity conditions tightened. This continued during the first half of 1997.

C. Nonbank Financial Institutions

49. The nonbank financial sector consists of the state-owned Grenada Development Bank (GDB), a number of credit unions, a building and loan association, and a number of insurance companies. Statistical information is available, only with respect to the financial operations of the GDB.

50. The GDB extends medium- and long-term development financing and is funded by the Caribbean Development Bank (CDB), the European Investment Bank (EIB), the NIS (specifically to support student loans), and to a lesser extent the Canadian International Development Agency (CIDA). During 1992–94, its loan portfolio was allocated to industry and tourism (48 percent), mortgages (29 percent), student loans (19 percent), and agriculture (9 percent). Recently, efforts have been made to encourage lending to small entrepreneurs and a special unit for the development of small enterprises has been in operation for several years. Mortgages are extended to middle and lower-middle income families and student loans are intended to finance university education abroad. Interest rates charged by the GDB follow guidelines established by the CDB for various sectors; in 1996 these rates averaged 9.8 percent for agricultural loans and 11 percent for other activities.

51. Following rapid growth in the late 1980s, the GDB's lending slowed sharply in 1991–92, and declined in 1993, mainly as a result of high loan delinquency which led to a suspension of funding from the CDB and the EIB. In 1995, upon the recommendations of a consultant, computerization of records was initiated, new managers were appointed, staffing was reduced and new standards for the documentation and recording of loans in arrears were introduced. Under the new classification system, bad and doubtful debts were estimated at nearly 50 percent of the loan portfolio in 1995,⁷ which led to increased provisioning. Subsequently, the bank has intensified efforts to ensure that debtors meet their obligations on a timely basis and to recover delinquent loans. Although the GDB still required a government

⁷There are four categories of bad and doubtful debts: specially noted, substandard loans, doubtful loans and losses. Published reports only present loans in the last three categories which represented 22 percent of the loan portfolio in 1996.

transfer to address financial deficiencies in 1996, the CBD found sufficient progress in the restructuring of the bank to approve a new line of credit of US \$3.5 million.

IV. THE EXTERNAL SECTOR

A. Balance of Payments

Overall trends

52. The external current account deficit, which had widened to US\$40 million (16 percent of GDP) in 1993, fell steadily to US\$6 million (2 percent of GDP) in 1995, as the growth in merchandise imports was outstripped by the increase in receipts from tourism and private transfers (Table 19). However, the surplus on the capital and financial account, which had risen to US\$42 million in 1993, fell sharply to US\$19 million in 1994 and US\$10.5 million in 1995; there were large outflows of private sector capital, and a sizable reduction in external support for the public sector investment program. Also, the stock of external payment arrears declined from US\$15 million at end-1991 to US\$10.5 million at end-1992 and to US\$7.9 million at end-1995 (Table 26), as a US\$5.1 million of debt owed to the former German Democratic Republic was canceled in 1992, while arrears due to the OPEC Fund (US\$2 million) were paid off in 1994.

53. The external current account deficit widened again in 1996, to US\$27.3 million (9.1 percent of GDP), on account of a steep increase (17.6 percent) in imports and a fall (9.5 percent) in exports. The growth in imports was driven by an increase in public investment, further growth of the tourism sector, and a surge in the price of imported fuel. Export earnings fell mainly because of a sharp drop in banana export volume (58 percent) and lower cocoa prices (30 percent), as well as a decline in fish exports (Table 20).

54. Net external support for the public sector (net borrowing and capital grants) increased to US\$12.1 million in 1996, from US\$1.8 million in the previous year, facilitating a recovery in public sector investment. Foreign direct investment, especially inflows of equity and retained earnings, declined in 1996 after two years of robust foreign investment in hotels. As noted in Chapter III, commercial banks drew down their net foreign assets to meet increased credit demand.

55. In all, the capital and financial account surplus rose in 1996, but not enough to cover the current account deficit and the overall balance posted a small deficit of US\$1.6 million. Consequently, Grenada's imputed international reserves declined slightly.

Merchandise trade

56. Exports receipts fell almost steadily from 1989 to 1996. They amounted to US\$21 million in 1996, slightly below their 1992 level. The secular decline in exports has been induced by low or falling commodity prices, drought and plague.

57. **Banana** exports have been affected by the mealy bug infestation, high production costs, relatively poor quality, and a more stringent application of quality standards. Banana shipments fell in 1996 by 58 percent to around 4,040 tons, far below the EU quota of 31,000 tons. Banana prices, which had dropped by 10 percent in 1995, fell again (by 29 percent) in 1996.

58. **Nutmeg** exports have also declined over the period 1992–96. Nutmeg prices, which had fallen steadily through 1993 following the 1989–90 collapse of the marketing arrangement with Indonesia, have subsequently recovered substantially. However, the robust growth of nutmeg export volumes experienced through 1994 was later interrupted by plague.

59. **Cocoa** exports have been affected by falling prices. Following a 22 percent fall in 1994 due to drought, cocoa export volumes recovered in 1995 and 1996. This occurred despite the adverse effect of plague and was in part due to the success of a government-supported rehabilitation program. However with international cocoa prices stagnant in 1995 and falling by 30 percent in 1996, cocoa export earnings fell by 22 percent in 1996.

60. Following a 2.5 percent decline in 1994, **imports** grew by 8.5 percent in 1995 and 17.6 percent in 1996, reflecting largely an increase in food imports needed to support the growing tourist industry and in imports of investment goods for public investment and private construction (Table 21). Also, the value of intermediate imports rose due to higher world fuel prices. In all, merchandise imports outpaced the growth in GDP, rising relative to GDP to 51.5 percent in 1995 and 55.5 percent in 1996 from 47.4 percent in 1992. Compared to a slight improvement in 1995, the terms of trade deteriorated by 7.3 percent in 1996 as export prices fell by 6.7 percent, reflecting the sharp fall in banana and cocoa prices noted above (Table 22).

Services, income, and current transfers

61. The surplus on the services balance widened in 1996 despite higher transportation payments associated with rising imports, and slower growth in net tourism receipts. The number of stay-over visitors was lower in 1996 than in 1994, and the growth in average daily expenditure (due to moderating food import prices) slowed down (Table 23). At any rate, net tourism receipts in 1996, at US\$89.4 million, remained more than four times the value of merchandise exports.

62. Tourist traffic grew strongly in 1994 (18.5 percent) as economic growth picked up in North America and Europe. In 1995, stay-over arrivals fell by 2.6 percent due in part to problems affecting air access to the country but total arrivals rose by 16.3 percent, reflecting a strong increase in cruiseship and excursion arrivals. In 1996, stay-over arrivals increased by 1.5 percent to 91,000, while cruiseship arrivals increased by 6.8 percent to 187,000. The increase in stay-over visitors since 1994 was helped by the completion of two new hotels, including an all-inclusive resort in 1993 and three small hotels (under 50 rooms) in 1996.

63. Net investment payments consist primarily of interest payments on official debt and dividends on foreign direct investment. While interest payments on official debt have stabilized at around US\$2 million a year, the large expansion of the hotel industry in recent years has resulted in increased transfers of earnings abroad to about US\$12 million a year during 1995-96 from about US\$7 million a year during 1992-94. Current transfer receipts, which are predominantly migrants' transfers and workers' remittances, provide a major offset to the large deficit on goods, services and factor income. Following two years of strong growth, current transfers stabilized in 1996 at around US\$35 million or about 12 percent of GDP.

Capital and financial accounts

64. Grenada receives considerable net capital and financial inflows which in most years more than offset the deficit on the current account balance. In all, net capital and financial inflows in 1996 rose to US\$25.7 million from US\$10.5 million in 1995, but they fell short of covering the current account deficit. The imputed reserves' coverage of imports of goods and nonfactor services declined from 2.7 months in 1995 to 2.2 months in 1996.

B. External Debt and Debt Service

65. Relative to GDP, outstanding public external debt has declined steadily from 37 percent at end 1992 to 28.6 percent at end 1996 (Table 24). Debt-service obligations as a percent of exports of goods and nonfactor services declined from 4.2 percent in 1992 to 2.9 percent in 1996. The bulk (90 percent in 1996) of the external public debt is owed by the central government, while the rest is government-guaranteed debt held by the public enterprises (Table 25). The Caribbean Development Bank (CDB) remains the largest external creditor, accounting for about 42 percent of the public debt at end-1996. Taiwan Province of China, the IBRD and IDA, and the United Kingdom are the other major creditors. Most of Grenada's medium- and long-term debt was contracted on concessional terms; the share of commercial debt in total external public debt declined from about 20 percent in 1992 to about 7 percent in 1996.

66. The stock of external arrears, which had fallen by US\$2.7 million to US\$6.9 million in 1994 due to debt restructuring, increased again in the following years reaching about US\$8.5 million (or 2.9 percent of GDP) by end 1996. Of this stock, US\$5.0 million were due to Libya, US\$2.1 million to the United Kingdom, and US\$0.7 million to Algeria. While

regular payments are being made to clear arrears to the United Kingdom, adherence to UN sanctions on Libya is precluding settlement of arrears to that country, and discussions with Algeria have not been concluded.

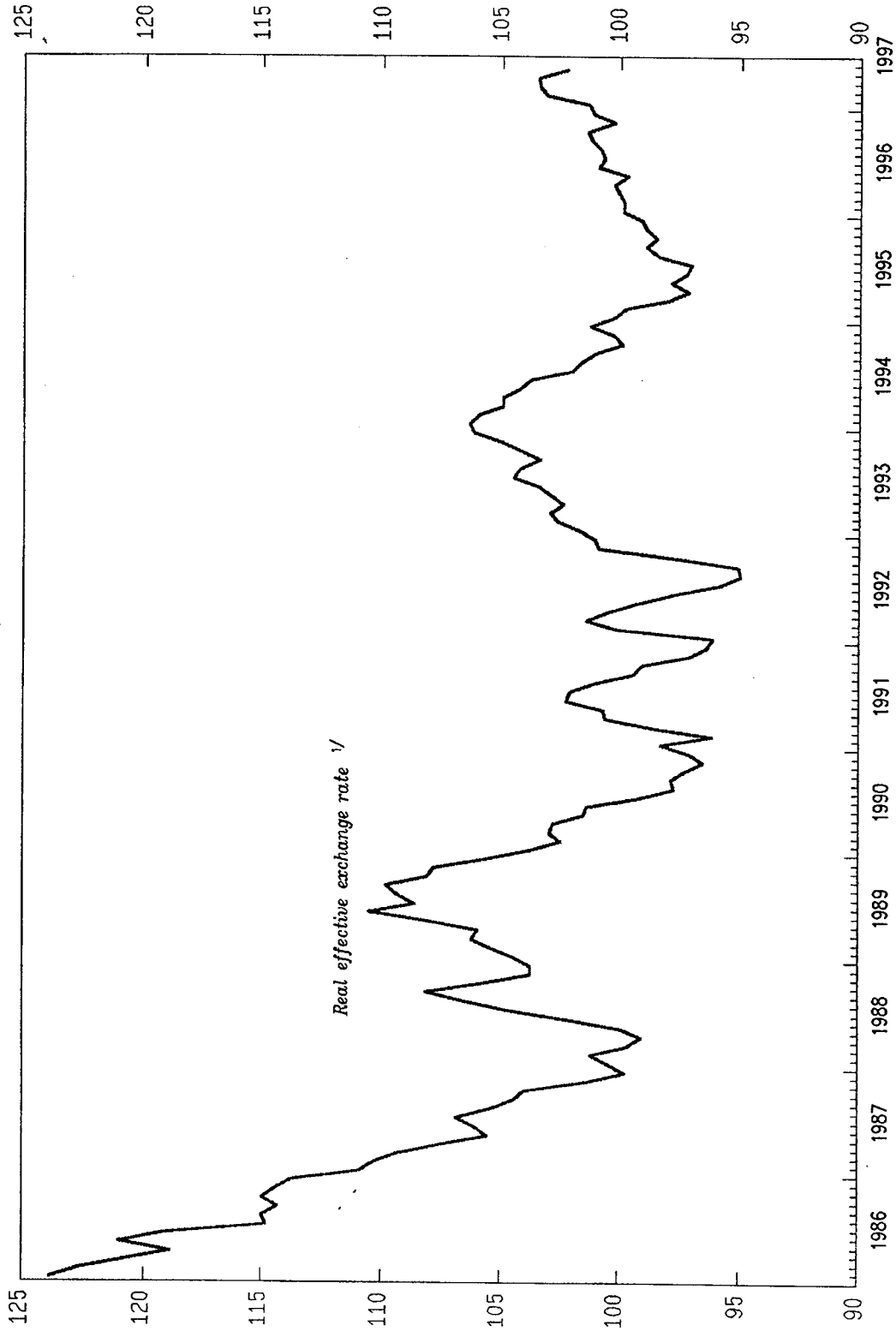
C. Exchange and Trade System

67. Similar to other members of the Eastern Caribbean Currency Union (ECCU), Grenada's currency is the E.C. dollar which has been pegged to the U.S. dollar since 1976. Consequently, the nominal effective exchange rate has largely followed the movement of the U.S. dollar vis-à-vis the currencies of other trading partners, reflecting the predominance of the United States in Grenada's foreign trade. The real effective exchange rate has reflected changes in the value of the U.S. dollar as well as in the relative price performance of Grenada and its trading partners (the behavior of the effective exchange rate is shown in Table 27 and Figure 2).

68. Grenada maintains a relatively open trade and exchange regime except for the requirement of import licenses for a limited number of commodities. The import license regime favors imports from CARICOM partners, especially the countries in the Organization of Eastern Caribbean States (OECS). Some imports (poultry products, high proof spirits and galvanized sheets) from non-CARICOM countries are banned, and several types of imports (such as fruits and vegetables, wheat flour products, beer, cigarettes, and beverages) are subject to priority sourcing from the members of the OECS and the less developed CARICOM countries. Some products (such as paint and varnish, consumer durables like refrigerators, freezers, and stoves) can be imported from non-CARICOM countries only if they are unavailable within the region. As a party to the CARICOM agreement, Grenada imposes zero tariff on imports from other CARICOM countries, while imports from outside the CARICOM region are subject to the Common External Tariff (CET), with a maximum tariff rate that was reduced to 25 percent in July 1997 (from 30 percent) and is scheduled to be reduced further to 20 percent in January 1998. An import duty of 0-5 percent is levied on raw materials and intermediate inputs, and all imports are subject to a customs service charge which was doubled to 5 percent in early 1996. There are no exemptions from the customs service charge, except for government imports.

69. Like other ECCB members, Grenada maintains an indicative limit on foreign exchange for private travel on a per person, per calendar year basis, which was raised in 1996 to EC\$100,000 from EC\$15,000.

FIGURE 2
GRENADA
EXCHANGE RATE DEVELOPMENTS
(1990=100)



Source: IMF Information Notice System.

1/ An increase (decrease) indicates appreciation (depreciation).

Tourism—Recent Developments and Prospects

1. Tourism is a major source of foreign exchange earnings and employment in Grenada. The contribution of tourism (hotels and restaurants) to GDP, which stood at about 8 percent in 1996, grew by about 6 percent per year during 1992–96, compared to a real GDP average growth rate of 2.2 percent over the same period (see Table 1). Tourism earnings increased 56 percent from 1992 to 1996, accounting for about 80 percent of exports of goods and nonfactor services in the latter year (see Table 19). Growth in tourism has helped cushion the effects of the decline in commodity exports, particularly bananas and cocoa (see Table 20).

2. Stay-over visitors accounted for about 77 percent of total tourist expenditure in 1996. The number of stay-over visitors grew by about 27 percent from 1992 to 1996, due mainly to an increase in the number of tourists from outside the West Indies (see Table 23). The composition of stay-over visitors underwent important changes during 1992–96. In 1992, about 22.0 percent of the stay-over visitors arrived from the West Indies, 14.3 percent arrived from the United Kingdom, and 5.8 percent arrived from Canada. By 1996, the share of visitors from the United Kingdom had climbed to 21.5 percent, while the shares of the West Indies and Canada had declined to 15.7 percent and 4.6 percent, respectively. Throughout this period, the share of stay-over visitors arriving from Germany and the United States remained roughly constant at 7–8 percent and 33–34 percent, respectively (except for 1993 when the U.S. share rose to 39 percent). The estimated average daily expenditure of stay-over visitors increased from US\$90 in 1992 to US\$106 in 1996.

3. During 1992–96, the hotel industry expanded capacity and upgraded facilities with private financing from abroad. By the end of 1996, the number of tourist accommodations establishments stood at 78 with 1,670 rooms and 2,964 beds, compared with 65 lodging establishments, 1,115 rooms and 2,007 beds in 1992 (Table A1). A joint plan by the Ministry of Tourism and the Board of Tourism (BOT) envisages raising the hotel capacity in Grenada to around 2,500 rooms by the year 2,006. There are two major hotel projects expected to be completed during 1997–99 with foreign financing (the Ritz Carlton Resort with 225 rooms, and the Mariposa Beach Resort with 45 rooms), two with local financing (the Isaac Nicholas Grenada Renaissance with 100 rooms, and the Grand Anse Beach Resort with 54 rooms and a shopping mall), and one (113 rooms) with joint venture capital involving the Windward Development Group. The Ritz Carlton Hotel, with construction expected to start in October 1997 and completed by end-1999, is estimated to cost US\$75 million, of which 25 percent would be contributed by the IFC, and the rest by investors from, Canada, the United States, Mexico and Europe.

4. Cruiseship arrivals constitute another important segment of the tourism market. With the completion of major repairs to the docks in St. George's in 1995 and following virtual stagnation in the previous two years, the number of cruiseship passengers visiting Grenada increased markedly (over 15 percent per annum) in 1995 and 1996, reaching 267,000 and contributing about 8 percent of total tourist expenditure in 1996. With the planned expansion

of the port facilities and increased advertisement and marketing (see below), it is expected that this segment of the market will continue to prosper.

Table A1. Grenada: Tourist Accommodations

	1992	1993	1994	1995	1996
Number of establishments	65	70	73	78	78
Hotels	26	28	27	27	27
Guest houses	23	23	25	25	25
Cottages/apartments	16	19	21	26	26
Number of rooms	1,114	1,428	1,428	1,652	1,669
Hotels	738	1,027	1,012	1,064	1,066
Guest houses	165	165	171	217	219
Cottages/apartments	21	236	245	371	384
Number of beds	2,007	2,710	2,718	2,936	2,964
Hotels	1,351	1,975	1,960	1,961	1,964
Guest houses	261	261	268	339	341
Cottages/apartments	415	474	490	636	659

Sources: Grenada Board of Tourism; and Caribbean Tourism Organization.

5. The hotel industry has benefited from tax concessions and other incentives provided by the government. The Industrial Development Corporation (IDC) is responsible for facilitating new investment in the industry, and makes recommendations to the Ministry of Finance for the granting of concessions to hotels under the Hotel Aid Act of 1954. The two major concessions are: (a) a holiday on corporate income taxes granted to hotels with over ten rooms for up to ten years; and (b) a waiver of duties on imports of building materials and equipment for the construction and furnishing of a hotel, or for upgrading facilities. In addition, multiple renewals of these concessions have been granted, and some hotels have been exempted from paying import duties on all imports.

6. Still, tourism in Grenada is faced with several problems. First, despite recent improvement, small hotels have not performed well and some have fallen behind on their debt service to the state-owned Grenada Development Bank and to commercial banks. To address this

problem, the BOT has assisted small hotels by helping to finance the cost of marketing. Secondly, tourism was affected by water shortages particularly during the period 1992-93. However, the problem has been alleviated substantially as a result of leak detection and maintenance programs in the last 2-3 years and other improvements in the water supply. Thirdly, the wage and other costs in the tourism sector, which until two years ago were very competitive relative to those in neighboring tourist destinations, have risen in recent years (Table A2). And lastly, the BOT's activities have been constrained by the limited government subvention, which was reduced in 1996. Consequently, BOT would have to rely increasingly on access to foreign assistance, especially from the European Economic Community (which recently allocated ECU7 million to Grenada of which 20 percent is for tourism).

7. Although still small, Grenada's share in Caribbean tourism has risen to 1.1 percent of stay-over tourists and 3.0 percent of cruiseship passengers in 1996, compared to 0.7 percent and 2.1 percent respectively in 1992. Compared to St. Lucia, a major neighboring competitor, Grenada receives fewer stay-over visitors but more cruiseship passengers (Table A2). Both Grenada and St. Lucia market their product in the moderate price range of the market. Besides the disadvantage of higher wages than in St. Lucia, Grenada has also a relatively less developed infrastructure, which adversely affects the quality and reliability of many public services; both factors have made tourism in Grenada lag behind that of St. Lucia. Grenada's share of the upper end of the market has improved somewhat in recent years, and could increase further as new luxury hotels begin operations.

8. The Ministry of Tourism in collaboration with the BOT and the Hotel Association (GHA) and with financial assistance from the Organization of Eastern Caribbean States (OECS) had by mid-1997 formulated a ten-year development plan for the industry. The BOT is to be responsible for implementing the plan, but will cooperate closely with the private sector, including the GHA (e.g., in the promotion and marketing of new products). The key elements of this plan are: (i) involving the private sector in a joint advertisement campaign (to be financed 70 percent by the BOT and 30 percent by the private sector) to heighten the visibility of Grenada as a tourist attraction in Canada, the United States (particularly the western and Midwestern states), Europe (particularly Scandinavia, the Netherlands, France, and Italy), and the Caribbean region (especially Trinidad and Tobago); (ii) promoting sports tourism, supported by construction of a large national stadium, and an 18-hole golf course attached to the Ritz Carlton Resort Hotel; (iii) promoting ecotourism and tourism for professionals, divers, and honeymooners; (iv) ensuring better air access to Grenada, including through high quality charter services; and (v) rehabilitating and expanding the road network, improving water and sewage services especially in the south of the country, improving telecommunications, and implementing a development plan for the Point Salina Airport. This plan includes re-aligning service counters and improving air conditioning and general reception services with financing from local banks and the Grenada Development Bank.

Table A2. Tourism Indicators in Selected Countries

	Barbados	St. Lucia	Grenada
Number of tourist establishments (1996)	160	115	78
Number of rooms (1996)	6315	3974	1669
Number of stay overs (1996)	447,083	235,659	91,200
Cruiseship passengers (1996)	509,975	218,777	267,000
Tourist expenditure (1996, millions of US\$)	684.1	277.8	92.4
Wages (1994, US\$ per month) 1/			
Cook	450	315	296
Waiter	430	201	278
Bartender	477	247	269

Sources: Grenada Board of Tourism; Caribbean Tourism Organization; and Fund staff estimates.

1/ For Barbados, 1992.

The Labor Market in Grenada

I. SUPPLY AND DEMAND IN THE LABOR MARKET

1. There appears to be an ample supply of labor in Grenada. Unemployment was estimated at 26.7 percent in October 1994 and 17.5 percent in June 1996. However, these rates seem to include the seasonally and voluntarily unemployed, who are supported in part by remittances from abroad.¹ The youngest segment of the population has the highest rate of unemployment,² and the unemployment rate for females is more than twice the rate for men.
2. While population growth averaged 0.6 percent over the period 1992–96, the labor force grew 1.8 percent in 1996. At the same time, employment grew 15 percent and the number of work permits increased 17 percent. A decline in employment, however, was registered in certain activities including, mining and quarrying, manufacturing, wholesale and retail trade, and transportation and communications.
3. The public sector investment program (PSIP) has an important effect on labor demand. Some of the PSIP projects underway include road improvements and the construction of a stadium, a ministerial complex, and a hospital. There is a risk however, that the simultaneous implementation of these projects, along with the construction of shopping facilities and hotels by the private sector, could generate a temporary shortage of skilled construction labor.
4. The government plans to increase employment through the promotion of offshore financial and gaming operations and microenterprises. To ensure that the education system responds to the requirements of export diversification, computer technology is to be introduced to all primary and secondary schools. The government also offers an on-the-job training program, which trained more than 500 people in 1996, of whom 20 percent secured permanent jobs.

II. REGULATORY ENVIRONMENT

5. Existing government regulations do not seem to hinder labor mobility or restrict layoffs. However, a Labor Relations Employment Act, which is awaiting parliamentary discussion, would require employers to provide “good cause” for the dismissal of an employee and to provide severance pay. Currently, employers are not required to give a reason for the

¹The authorities are reviewing the methodology and accuracy of the surveys that yielded these estimates and are intent upon improving the coverage of labor market statistics.

²In 1996, the unemployment rate for persons aged 15 to 19 was 41.2 percent and the unemployment rate for persons aged 20 to 24 was 23.5 percent.

dismissal of an employee and, except in the agricultural sector, severance pay is not required. The act could increase costs for employers as employees would be able to sue an employer over dismissal. Moreover, dismissal could become problematic for employers seeking to reduce the number of workers during a business downturn. In addition, the National Insurance Scheme is considering adding an employment injury benefit to the social safety net. The cost of this benefit would be covered by an increase in the employer contribution rate from 8 per cent to 9 percent.

6. At present, a minimum wage is set only for the agricultural sector. In general, however, agricultural labor is paid in excess of the minimum wage in order to attract an adequate supply. Nevertheless, the Ministry of Labor is conducting a survey of private sector wages to determine whether to impose a minimum wage for other activities, in part because pay in the garment and hotel sector is deemed to be low.

III. UNIONIZATION AND LABOR-EMPLOYER RELATIONS

7. It is estimated that 18–20 percent of the labor force is unionized. Because the influence of the unions extends to the nonunionized sector, this low rate of membership understates the power of the unions. Moreover, the unions have demonstrated substantial bargaining power, which recently led to generous wage increases for the civil service. Strikes are not uncommon, with six strikes lasting 20 days in 1996 and two strikes in the first half of 1997. The longest standing dispute involves a disagreement between Grenada shipping agents and workers at the port, who have been unable to renegotiate a collective wage agreement since 1987 (Box A1).

Box A1. The Impasse between Grenada Shipping Agents Limited and Grenada Seamen and Waterfront Workers' Union

- In 1989 the union and the shipping agents asked the government to investigate the cost of labor on the docks, especially with respect to container cargo. A government commission issued the Trotman Report, which recommended new wages for cargo handlers based on wage rates prevailing elsewhere in the region. The union did not accept this report.
- In 1991, the union and the shipping agents agreed to have a committee develop a formula for wages for container handlers that was not based on an hourly rate. The committee issued the Simon Charles Report, which used a per container wage rate as opposed to an hourly wage rate. This report recommended wages for container handling based on the assumption that an average ship call consisted of six containers. This report was not acceptable to the shipping agents because it was based on incorrect data. In 1992, a court ruled that, based on data provided by the port authority, an average ship call consisted of 12 containers. An amended report was issued based on the corrected information, which the union did not accept.
- In 1995, the new government of Prime Minister Keith Mitchell provided the Ministry of Labor with a mandate to produce a compromise acceptable to both the union and shipping agents. The Ministry of Labor produced a compromise position, with wages based on an average ship call of nine containers. This compromise was unacceptable to the union.

IV. WAGE DETERMINATION

8. Wage contracts are typically negotiated for a period of two or three years, with wages often determined after the period under negotiation has elapsed. For example, a wage contract for the period 1993–95 might be settled in 1995 or 1996. Wages are set by a collective agreement, and nonunion wages are heavily influenced by movements in union and government wages.

9. Wages in the public sector are negotiated between the government and unions representing the civil service. In response to intensified pressures by civil service unions for a general wage increase for the 1993–95 period, the authorities agreed to a one-off payment to buy out the 1993–95 wage settlement in 1997. As a result, the average compensation paid by the government is projected to increase by 12.5 percent (11.4 percent in real terms) in 1997. As the largest single employer in Grenada, the government exerts influence on wages and labor costs throughout the economy.

10. According to partial information collected by the Central Statistics Office (CSO), the average increase in private sector wages was 5.5 percent in 1995 and 4.7 percent in 1996. Information collected through the first half of 1997 by the Ministry of Labor indicates that the smallest wage increase negotiated for the period 1995–98 was 3 percent, 4 percent and 5 percent for 1996, 1997 and 1998, respectively. The largest award was for annual wage increases of 8.5 percent, 6.5 percent and 6.5 percent for the same years. The average award appears to have been for annual wage increases of roughly 5.7 percent, 4.6 percent and 3.9 percent for 1996, 1997 and 1998, respectively.

11. The high wages paid to workers handling container cargo on the docks (represented by the Grenada Seamen and Waterfront Workers' Union) are the result of strong union power. Due to an impasse in the renegotiation of the collective agreement (see Box A1), the high wage rates negotiated between shippers and dock workers for the 1984–87 period are still in effect and Grenada has the highest dock labor costs in the region, posing a threat to competitiveness. The collective agreement negotiated between the union and the four largest shipping companies for 1984–87, provided an allowance for handling containers in excess of the hours actually worked to discharge the cargo.³ While at the time of the agreement containers represented less than 10 percent of the total cargo discharged, nowadays containers represent 90 percent of the cargo discharged.

³Workers are paid at an hourly rate for hours actually worked plus a bonus (paid at the same hourly rate) that is a function of the size of the discharged container. Workers receive a 3-hour bonus per 40-foot container, a 1.5-hour bonus per 20-foot container, and a 1-hour bonus per 10-foot container.

Table 1. Grenada: Real GDP by Economic Activity

	1992	1993	1994	1995	1996
(In millions of EC dollars)					
GDP at constant factor cost	500.5	494.4	510.8	526.6	545.2
Agriculture	60.8	58.3	54.7	58.5	55.6
Crops	47.2	44.5	40.8	44.4	41.0
Livestock, fishing, and forestry	13.6	13.8	14.0	14.1	14.5
Livestock	3.6	3.7	3.7	3.8	3.9
Fishing	8.0	8.1	8.3	8.3	8.6
Forestry	2.0	2.0	2.0	2.1	2.1
Mining and quarrying	2.5	2.5	2.5	2.5	2.7
Electricity and water	20.5	20.3	23.4	25.7	26.9
Manufacturing	36.9	32.3	34.8	37.5	39.6
Construction	34.8	36.3	36.7	37.6	42.0
Wholesale and retail trade	58.1	59.3	60.6	62.5	65.0
Hotels and restaurants	35.5	36.3	45.5	43.1	44.7
Transport and communications	109.5	111.8	119.0	125.0	132.6
Finance and housing	63.6	64.8	67.5	71.4	74.0
Banking and insurance	40.4	41.2	43.7	47.5	49.4
Real estate and housing	23.2	23.6	23.7	23.9	24.6
Government services	94.9	89.3	84.9	83.8	85.2
Other services	14.8	14.9	15.0	15.1	15.4
Less: imputed service charge	31.3	31.8	33.7	36.0	38.3
(Annual percentage changes)					
GDP at constant factor cost	1.1	-1.2	3.3	3.1	3.5
Agriculture	-2.7	-4.1	-6.2	6.9	-5.0
Crops	-4.3	-5.8	-8.4	8.8	-7.5
Livestock, fishing, and forestry	3.1	1.5	1.2	1.1	3.0
Livestock	3.1	0.6	0.8	1.9	2.9
Fishing	3.1	1.4	1.7	0.8	3.0
Forestry	3.2	4.1	0.0	1.0	2.9
Mining and quarrying	2.1	2.0	-1.2	0.8	6.0
Electricity and water	5.0	-0.5	15.1	9.7	4.6
Manufacturing	11.4	-12.5	7.6	7.7	5.8
Construction	-6.1	4.5	1.1	2.5	11.5
Wholesale and retail trade	2.0	1.9	2.3	3.0	4.0
Hotels and restaurants	17.3	2.3	25.5	-5.2	3.5
Transport and communications	3.1	2.1	6.4	5.1	6.1
Finance and housing	2.1	1.9	4.1	5.8	3.7
Banking and insurance	3.3	1.9	6.2	8.6	4.0
Real estate and housing	0.0	2.0	0.5	0.5	3.0
Government services	-5.3	-5.9	-5.0	-1.3	1.6
Other services	2.0	0.7	0.9	1.0	1.5
Less: imputed service charge	4.7	1.5	6.2	6.8	6.0

Sources: Ministry of Finance (CSO); and Fund staff estimates.

Table 2. Grenada: Aggregate Domestic Expenditure at Current Prices

	1992	1993	1994	1995	1996
(In millions of EC dollars)					
Gross domestic expenditure	763.2	804.6	779.8	823.3	944.6
Consumption expenditure	536.0	553.4	533.7	529.9	592.1
Private sector	417.7	440.0	414.9	408.4	457.6
General government	118.3	113.4	118.8	121.5	134.5
Gross domestic investment	227.2	251.2	246.1	293.4	352.5
Private sector	199.4	197.4	164.3	241.9	268.7
Direct investment	72.0	46.4	38.6	56.9	63.1
Other	127.4	151.0	125.7	185.1	205.5
Public sector	27.8	53.8	81.8	51.5	83.8
Goods and nonfactor service balance	-99.5	-128.9	-73.0	-78.3	-138.5
Exports of goods	58.2	58.1	66.4	62.6	56.7
Imports of goods	278.6	319.0	312.1	338.6	398.0
Nonfactor services (net)	121.0	132.0	172.8	197.6	202.8
GDP at factor cost	557.0	563.1	594.6	629.3	668.1
Net indirect taxes	106.8	112.6	112.3	115.7	138.0
GDP at market prices	663.8	675.7	706.9	745.0	806.1
(In percent of GDP at market prices)					
Gross domestic expenditure	115.0	119.1	110.3	110.5	117.2
Consumption expenditure	80.8	81.9	75.5	71.1	73.5
Private sector	62.9	65.1	58.7	54.8	56.8
General government	17.8	16.8	16.8	16.3	16.7
Gross domestic investment	34.2	37.2	34.8	39.4	43.7
Private sector	30.0	29.2	23.2	32.5	33.3
Public sector	4.2	8.0	11.6	6.9	10.4
Goods and nonfactor service balance	-15.0	-19.1	-10.3	-10.5	-17.2
Exports of goods	8.8	8.6	9.4	8.4	7.0
Imports of goods	42.0	47.2	44.2	45.4	49.4
Nonfactor services (net)	18.2	19.5	24.4	26.5	25.2
GDP at factor cost	83.9	83.3	84.1	84.5	82.9
Net indirect taxes	16.1	16.7	15.9	15.5	17.1
GDP at market prices	100.0	100.0	100.0	100.0	100.0
(Annual percentage change)					
Memorandum items:					
Growth of nominal GDP at factor cost	5.3	1.1	5.6	5.8	6.2
Growth of nominal GDP at market prices	1.4	1.8	4.6	5.4	8.2

Sources: Ministry of Finance (CSO); and Fund staff estimates.

Table 3. Grenada: Saving and Investment

	1992	1993	1994	1995	1996
(In millions of EC dollars)					
Source of funds					
Total saving	227.0	251.1	246.3	293.1	352.7
Gross national saving 1/	161.4	142.3	221.7	277.2	279.0
Domestic saving 2/	127.7	122.3	173.1	215.1	213.9
Public sector	22.6	35.2	28.4	40.4	41.3
Private sector	105.1	87.1	144.7	174.7	172.6
Net transfers from abroad	52.1	45.6	72.1	94.0	94.8
Net factor payments	-18.4	-25.6	-23.5	-31.9	-29.7
Gross external saving 3/	65.6	108.8	24.6	15.9	73.7
Use of funds					
Gross domestic investment	227.0	251.1	246.3	293.1	352.7
Public sector	27.8	53.8	81.8	51.5	83.8
Private sector	199.2	197.3	164.5	241.6	268.9
(In percent of GDP at market prices)					
Source of funds					
Total saving	34.2	37.2	34.9	39.3	43.7
Gross national saving	24.3	21.1	31.4	37.2	34.6
Domestic saving	19.2	18.1	24.5	28.9	26.5
Public sector	3.4	5.2	4.0	5.4	5.1
Private sector	15.8	12.9	20.5	23.5	21.4
Transfers from abroad	7.9	6.8	10.2	12.6	11.8
Net factor payments	-2.8	-3.8	-3.3	-4.3	-3.7
Gross external saving	9.9	16.1	3.5	2.1	9.1
Use of funds					
Domestic investment	34.2	37.2	34.9	39.3	43.7
Public sector	4.2	8.0	11.6	6.9	10.4
Private sector	30.0	29.2	23.3	32.4	33.3

Sources: Ministry of Finance; and Fund staff estimates.

1/ Gross national saving is defined as gross domestic saving plus the net factor income and transfers from abroad.

2/ Gross domestic saving is defined as the difference between GDP and total consumption.

3/ Gross external saving is the balance of payments on current account, with sign reversed.

Table 4. Grenada: Output and Prices of Major Agricultural Crops

	1992	1993	1994	1995	1996
(In EC dollars per pound)					
Producer prices					
Banana	0.3	0.3	0.3	0.3	0.2
Cocoa	1.5	1.5	1.7	1.8	1.6
Nutmeg	1.1	0.7	0.6	0.7	0.8
Mace	2.4	2.1	2.5	2.7	3.2
(In thousands of pounds)					
Output					
Banana	14,059	10,984	10,038	9,585	4,126
Cocoa	3,589	3,481	2,493	3,774	4,235
Nutmeg	5,148	4,820	3,956	4,624	4,588
Mace	301	193	204	219	260
(Annual percentage change) 1/					
Producer prices					
Banana	0.0	0.0	0.0	0.0	-33.3
Cocoa	7.1	0.0	13.3	5.9	-11.1
Nutmeg	-26.7	-36.4	-14.3	16.7	14.3
Mace	-4.0	-12.5	19.0	8.0	18.5
Output					
Banana	-9.9	-21.9	-8.6	-4.5	-57.0
Cocoa	17.1	-3.0	-28.4	51.4	12.2
Nutmeg	-11.2	-6.4	-17.9	16.9	-0.8
Mace	-33.2	-36.0	5.8	7.1	18.8

Source: Ministry of Finance (CSO).

1/ Percentage changes based on unrounded data.

Table 5. Grenada: Output and Prices of Selected Manufactured Products

(Value in millions of EC dollars; volume in thousands of units,
and unit values in EC cents)

	1992	1993	1994	1995	1996
Beer					
Value	7,750.1	5,343.1	6,783.8	7,171.7	6,867.2
Volume	484.4	345.8	424.0	448.2	429.2
Unit value	16.0	15.5	16.0	16.0	16.0
Malt					
Value	2,540.6	2,218.8	2,551.0	4,273.4	3,271.0
Volume	158.8	138.7	159.4	267.1	204.4
Unit value	16.0	16.0	16.0	16.0	16.0
Wheat					
Value	2,368.9	1,506.6	2,732.5	3,649.6	4,866.7
Volume	91.1	57.9	105.1	140.4	187.2
Unit value	26.0	26.0	26.0	26.0	26.0
Rum					
Value	6,405.5	5,130.7	5,836.8	4,519.7	5,572.4
Volume	140.8	112.8	128.3	99.3	122.5
Unit value	45.5	45.5	45.5	45.5	45.5
Cigarettes					
Value	1,833.8	1,669.2	1,386.0	1,240.6	1,164.5
Volume	101.9	92.5	77.0	68.9	64.7
Unit value	18.0	18.0	18.0	18.0	18.0
Soft drinks					
Value	10,189.2	8,922.2	8,167.1	8,558.5	9,027.1
Volume	566.1	495.7	453.7	513.1	501.5
Unit value	18.0	18.0	18.0	16.7	18.0
Flour					
Value	9,569.0	9,239.9	9,137.8	10,173.9	12,660.5
Volume	16,758.0	15,365.7	14,907.4	16,121.2	19,059.7
Unit value	0.6	0.6	0.6	0.6	0.7
Feed					
Value	3,982.7	4,411.8	4,967.9	4,698.0	5,520.1
Volume	8,692.1	9,727.2	11,010.0	10,389.2	12,819.5
Unit value	0.5	0.5	0.5	0.5	0.4
Paint, varnish, etc.					
Value	3,219.7	3,703.1	3,865.6	3,219.6	5,083.4
Volume	132.8	151.0	159.1	134.0	143.2
Unit value	24.2	24.5	24.3	24.0	35.5
Toilet paper					
Value	2,912.4	2,490.7	2,665.0	3,563.1	3,734.3
Volume	102.9	95.8	102.5	134.2	124.5
Unit value	28.3	26.0	26.0	26.5	30.0

Source: Ministry of Finance (CSO).

Table 6. Grenada: Consumer Price Index

(Index 1987 = 100)

	Weights	1992	1993	1994	1995	1996
I. Period averages						
All items	100.0	120.2	123.6	126.7	129.6	133.2
Food and beverages	38.7	122.4	127.4	134.0	141.1	145.7
Tobacco and alcohol	2.0	125.5	127.8	124.3	129.2	147.3
Clothing and footwear	5.2	111.0	111.6	114.9	112.4	137.9
Housing	17.3	121.5	123.0	123.5	124.0	120.5
Fuel and light	3.9	109.5	109.4	106.7	108.1	116.3
Furniture and appliances	2.7	113.1	117.7	120.1	115.3	123.4
Transport	9.1	125.6	130.3	133.9	133.4	124.5
Household supplies	5.6	120.7	122.3	122.7	122.1	127.7
Other services	15.5	121.8	125.2	126.4	127.7	119.3
(Annual percentage changes)						
All items		3.8	2.8	2.6	2.2	2.8
Food and beverages		0.4	4.1	5.2	5.3	3.3
Tobacco and alcohol		3.4	1.8	-2.7	3.9	14.0
Clothing and footwear		3.3	0.5	3.0	-2.2	22.6
Housing		15.5	1.2	0.4	0.4	-2.8
Fuel and light		-3.3	-0.1	-2.5	1.3	7.6
Furniture and appliances		3.1	4.1	2.0	-3.9	7.0
Transport		0.7	3.7	2.7	-0.3	-6.7
Household supplies		4.0	1.4	0.3	-0.5	4.6
Other services		4.9	2.7	1.0	1.0	-6.6
II. End of period						
All items	100.0	121.6	125.8	128.2	130.9	135.1
Food and beverages	38.7	124.3	132.8	137.8	144.0	149.0
Tobacco and alcohol	2.0	127.9	127.5	124.6	132.1	138.1
Clothing and footwear	5.2	111.2	113.3	114.3	112.6	115.1
Housing	17.3	122.8	123.3	124.1	124.4	124.5
Fuel and light	3.9	110.3	105.7	108.0	110.6	121.4
Furniture and appliances	2.7	113.2	122.0	118.2	114.3	125.0
Transport	9.1	125.5	131.9	132.5	132.9	139.9
Household supplies	5.6	122.9	121.8	121.4	122.3	125.1
Other services	15.5	124.0	125.3	127.1	128.0	131.7
(Annual percentage changes)						
All items		4.6	3.5	1.9	2.1	3.2
Food and beverages		2.8	6.8	3.8	4.5	3.5
Tobacco and alcohol		4.6	-0.3	-2.3	6.0	4.5
Clothing and footwear		1.4	1.9	0.9	-1.5	2.2
Housing		16.7	0.4	0.6	0.2	0.1
Fuel and light		-2.1	-4.2	2.2	2.4	9.8
Furniture and appliances		-1.0	7.8	-3.1	-3.3	9.4
Transport		0.0	5.1	0.5	0.3	5.3
Household supplies		3.1	-0.8	-0.3	0.7	2.3
Other services		4.7	1.0	1.4	0.7	2.9

Source: Ministry of Finance (CSO).

Table 7. Grenada: Operations of the Consolidated Public Sector 1/

	1992	1993	1994	1995	1996
(In millions of EC dollars)					
Total revenue and grants	198.8	232.8	228.8	236.1	254.9
Current revenue	184.5	197.1	197.9	211.8	224.3
Capital revenue	0.2	0.9	0.0	3.1	0.0
Current grants	3.5	2.9	7.5	3.9	0.1
Capital grants	10.6	31.9	23.4	17.3	30.5
Total expenditure	189.7	215.7	251.3	222.9	266.5
Current	161.9	161.9	169.5	171.4	182.7
Capital	27.8	53.8	81.8	51.5	83.4
<i>Of which: Public enterprises</i>	7.2	22.3	23.1	8.2	6.4
Public sector saving	22.6	35.2	28.4	40.4	41.3
Central government	-3.2	11.2	0.9	16.7	16.9
Public enterprises	11.9	9.8	14.0	7.3	4.5
National Insurance Scheme	13.8	14.3	13.5	16.5	19.9
Overall balance before grants	-5.1	-17.7	-53.4	-8.1	-42.2
Overall balance after grants	9.1	17.1	-22.5	13.1	-11.6
Central government	-12.2	-1.3	-35.9	-4.0	-29.8
Public enterprises	9.2	4.3	3.3	2.5	-1.1
National Insurance Scheme	12.1	14.1	10.1	14.6	19.3
Financing	-9.1	-17.1	22.5	-13.1	11.6
External	-3.3	-3.6	20.7	-11.9	6.1
Net loan receipts	-4.1	-1.7	19.9	-14.8	4.5
Net change in arrears	0.8	-1.9	0.8	2.8	1.6
Domestic	-17.1	-13.5	-16.7	-14.7	5.4
Commercial banks (net)	-20.2	-4.1	-5.8	-3.3	2.1
ECCB (net)	-2.7	-6.7	-5.1	-4.0	-1.4
Net nonbank financing	-5.0	24.4	-6.4	-12.2	3.5
Net change in arrears	10.8	-27.1	0.7	4.8	1.2
Divestment proceeds	11.3	0.0	18.4	13.5	0.0
(In percent of GDP)					
Total revenue and grants	30.1	34.6	32.3	31.6	31.6
Current revenue	28.0	29.3	27.9	28.4	27.8
Current grants	0.5	0.4	1.1	0.5	0.0
Capital grants	1.6	4.7	3.3	2.3	3.8

Table 7. Grenada: Operations of the Consolidated Public Sector (Concluded)

	1992	1993	1994	1995	1996
Total expenditure	28.7	32.0	35.5	29.9	33.1
Current	24.5	24.1	23.9	23.0	22.7
Capital	4.2	8.0	11.7	6.9	10.4
Public sector saving	3.4	5.2	4.1	5.4	5.1
Central government	-0.5	1.7	0.1	2.2	2.1
Public enterprises	1.7	1.5	2.0	1.0	0.6
National Insurance Scheme	2.2	2.1	1.9	2.2	2.5
Public sector overall balance before grants	-0.8	-2.6	-7.5	-1.1	-5.2
Public sector overall balance after grants	1.4	2.5	-3.2	1.8	-1.4
Central government	-1.8	-0.2	-5.1	-0.5	-3.7
Public enterprises	1.4	0.6	0.5	0.3	-0.1
National Insurance Scheme	1.8	2.1	1.4	2.0	2.4
Financing	-1.4	-2.5	3.2	-1.8	1.4
External	-0.5	-0.5	2.9	-1.6	0.8
<i>Of which:</i> Change in arrears	0.1	-0.3	0.1	0.4	0.2
Domestic	-2.6	-2.0	-2.4	-2.0	0.7
<i>Of which:</i> change in arrears	1.6	-4.0	0.1	0.6	0.1
Divestment	1.7	0.0	2.6	1.8	0.0

Sources: Ministry of Finance and Fund staff estimates.

1/ The accounts of GRENLEC were taken out of the public sector accounts in 1995 when the company was privatized.

Table 8. Grenada: Finances of the Central Government

	1992	1993	1994	1995	1996
(In millions of EC dollars)					
Total revenue and grants	170.3	192.2	192.3	210.7	230.3
Total revenue	158.9	174.0	170.3	191.2	199.9
Current revenue	158.7	173.1	170.3	188.1	199.6
Tax revenue	144.8	155.2	154.1	168.4	181.5
Nontax revenue	14.0	17.9	16.2	19.7	18.0
Capital revenue	0.2	0.9	--	3.1	0.3
Total grants	11.4	18.1	21.9	19.6	30.4
Total expenditure	182.5	193.5	228.1	214.7	260.1
Current expenditure	161.9	161.9	169.5	171.4	182.7
Personal expenditure	89.0	87.4	85.0	89.9	97.9
Salaries and wages	83.2	82.0	79.7	84.8	92.5
Allowances	5.9	5.4	5.3	5.1	5.4
Goods and services	26.2	23.3	30.4	28.9	32.8
Supplies and overheads	21.3	20.2	21.7	23.9	29.1
Other goods and services	4.9	3.1	8.7	5.0	3.6
Interest payments	17.3	17.4	16.8	14.6	17.3
Domestic	13.3	13.6	13.7	11.5	12.7
Foreign	4.0	3.8	3.1	3.0	4.6
Transfers and subsidies	29.3	33.8	37.4	38.1	34.7
Transfers abroad	2.8	6.7	5.3	9.6	7.3
Transfers to households	16.6	15.6	17.1	16.0	18.4
Transfers to the private sector	3.5	2.5	5.9	3.5	0.1
Grants and subventions	6.4	9.1	9.1	9.0	9.0
Capital expenditure	20.6	31.5	58.7	43.3	77.4
Current balance	-3.2	11.2	0.9	16.7	16.9
Overall balance	-12.2	-1.3	-35.9	-4.0	-29.8
Financing	12.2	1.3	35.9	4.0	29.8
External	-1.7	-2.4	18.6	-11.0	6.6
Net loan receipts	-2.5	-0.5	17.8	-13.8	5.0
Loans	7.7	7.8	26.5	4.2	16.5
Amortization	10.2	8.3	8.7	18.0	11.5
Net change in arrears	0.8	-1.9	0.8	2.8	1.6
Domestic	2.6	3.7	-1.1	1.4	20.2
ECCB (net)	-2.7	-6.7	-5.1	-4.0	-1.4
Commercial banks (net)	-19.7	5.8	2.6	1.5	9.6
Nonbanks (net)	14.3	31.7	0.7	-0.9	10.7
Net change in arrears	10.8	-27.1	0.7	4.8	1.2
Divestment proceeds 1/	11.3	0.0	18.4	13.5	3.0

Sources: Ministry of Finance; and Fund staff estimates.

1/ The figure for 1996 reflects the sale of a block of shares in the Grenada Bank of Commerce to the National Insurance Scheme.

Table 9. Grenada: Central Government Revenue and Grants

	1992	1993	1994	1995	1996
(In millions of EC dollars)					
Total revenue and grants	170.3	192.2	192.3	210.7	230.3
Total revenue	158.9	174.0	170.3	191.2	199.9
Current revenue	158.7	173.1	170.3	188.1	199.6
Capital revenue	0.2	0.9	0.0	3.1	0.3
Total grants	11.4	18.1	21.9	19.6	30.4
Current grants	3.5	2.9	7.5	3.9	0.1
Capital grants	7.9	15.2	14.4	15.7	30.3
Tax revenue	144.8	155.2	154.1	168.4	181.5
Taxes on income and profits	33.7	36.4	34.8	43.1	33.5
Individuals	10.5	12.0	13.7	18.5	8.7
Companies	0.0	0.0	0.0	19.6	22.4
Business levy	23.1	23.5	21.1	3.2	1.6
Other	0.1	1.0	0.0	1.7	0.9
Taxes on property	3.8	4.4	3.7	4.6	5.5
Property tax	2.2	2.1	2.0	2.6	3.3
General and sewerage rates	0.2	0.0	0.0	0.0	0.0
Inheritance tax	0.1	0.8	0.0	0.0	0.1
Land transfer tax	1.3	1.5	1.7	2.0	2.1
Taxes on domestic transactions	22.3	25.5	28.2	30.3	33.0
Vat/consumption tax	12.2	12.4	13.8	15.4	16.1
Stamp duty	2.2	2.1	2.7	2.5	2.7
Motor vehicle tax	1.6	1.8	1.7	1.7	2.0
Licenses	4.0	4.1	4.7	5.1	5.0
Airline ticket tax	1.6	1.2	1.3	1.4	1.5
Other (including cruise ship tax)	0.8	3.8	3.9	4.2	5.7
Taxes on international transactions	84.9	88.9	87.4	90.5	109.5
Import duty	25.7	21.8	22.5	23.4	25.5
Vat/consumption tax	48.3	53.8	54.9	56.4	63.1
Petrol tax	1.5	1.9	2.1	2.2	2.3
Exports duty	0.3	0.0	-0.0	-0.0	0.3
Petroleum profit tax	0.1	0.0	0.0	0.0	0.0
Foreign exchange tax	9.0	5.1	0.5	0.0	0.0
Customs services charge	0.0	6.3	7.5	8.5	18.4
Nontax revenue	14.0	17.9	16.2	19.7	18.0
Airport dues	0.0	0.5	0.5	0.6	0.0
Government fees and charges	3.2	2.6	3.0	4.5	3.1
Post office	3.7	4.1	2.9	4.0	3.0
Dividends	3.1	4.4	3.7	4.5	4.6
ECCB profits	2.1	3.5	3.3	3.4	3.6
Rents and interest income	0.3	0.8	0.7	0.6	0.7
Miscellaneous fees and service charges	1.5	1.9	1.9	1.5	2.4
Miscellaneous taxes	0.0	0.0	0.0	0.7	0.7

Table 9. Grenada: Central Government Revenue and Grants (Concluded)

	1992	1993	1994	1995	1996
	(In percent of GDP)				
Total revenue and grants	25.8	28.5	27.2	28.3	28.6
Current revenue	24.0	25.7	24.1	25.2	24.8
Tax revenue	21.9	23.1	21.8	22.6	22.5
Taxes on income and profits	5.1	5.4	4.9	5.8	4.2
Taxes on property	0.6	0.7	0.5	0.6	0.7
Taxes on domestic transactions	3.4	3.8	4.0	4.1	4.0
<i>Of which:</i>					
Vat/consumption tax	1.9	1.8	1.9	2.1	2.0
Taxes on international transactions	12.9	13.2	12.3	12.1	13.6
<i>Of which:</i>					
Import duty	3.9	3.2	3.2	3.1	3.2
Vat/consumption tax	7.3	8.0	7.8	7.6	7.9
Nontax revenue	2.1	2.7	2.3	2.6	2.2
Capital revenue	0.0	0.1	0.0	0.4	0.0
Total grants	1.7	2.7	3.1	2.6	3.8
Current grants	0.5	0.4	1.1	0.5	0.0
Capital grants	1.2	2.3	2	2.1	3.8

Source: Ministry of Finance.

Table 10. Grenada: Central Government Expenditure

	1992	1993	1994	1995	1996
(In millions of EC dollars)					
Total expenditure	182.5	193.5	228.1	214.7	260.1
Current expenditure	161.9	161.9	169.5	171.4	182.7
Personal expenditure	89.0	87.4	85.0	89.9	97.9
Salaries and wages	83.2	82.0	79.7	84.8	92.5
Allowances	5.9	5.4	5.3	5.1	5.4
Goods and services	72.9	74.6	84.5	81.5	84.7
Supply and overheads	21.3	20.2	21.7	23.9	29.1
Other goods and services	4.9	3.1	8.7	5.0	3.6
Interest payments	17.3	17.4	16.8	14.6	17.3
Domestic	13.3	13.6	13.7	11.5	12.7
Foreign	4.0	3.8	3.1	3.0	4.6
Transfers and subsidies	29.3	33.8	37.4	38.1	34.7
Transfers to the private sector	3.5	2.5	5.9	3.5	0.1
Grants and subventions	6.4	9.1	9.1	9.0	9.0
Transfers abroad	2.8	6.7	5.3	9.6	7.3
Transfers to households	16.6	15.6	17.1	16.0	18.4
<i>Of which:</i>					
Pensions	8.1	7.9	9.1	9.0	9.1
Gratuity and ex-gratia payments	6.0	5.3	5.4	4.2	5.5
NIS contributions	2.6	2.4	2.7	2.8	3.8
Capital expenditure	20.6	31.5	58.7	43.3	77.4
(In percent of GDP at current market prices)					
Total expenditure	27.7	28.7	32.2	28.8	32.3
Current expenditure	24.5	24.1	24.2	23.0	22.7
Personal expenditure	13.5	13.0	12.0	12.0	12.1
Salaries and wages	12.6	12.2	11.3	11.4	11.5
Allowances	0.9	0.8	0.7	0.7	0.7
Goods and services	11.0	11.1	11.9	10.9	10.5
Supply and overheads	3.2	3.0	3.1	3.2	3.6
Other goods and services	0.7	0.5	1.2	0.7	0.5
Interest payments	2.6	2.6	2.4	2.0	2.1
Domestic	2.0	2.0	1.9	1.5	1.6
Foreign	0.6	0.6	0.4	0.4	0.6
Transfers and subsidies	4.4	5.0	5.3	5.1	4.3
Transfers to the private sector	0.5	0.4	0.8	0.5	0.0
Grants and subventions	1.0	1.4	1.3	1.2	1.1
Transfers abroad	0.4	1.0	0.8	1.3	0.9
Transfers to households	2.5	2.3	2.4	2.1	2.3
<i>Of which:</i>					
Pensions	1.2	1.2	1.3	1.2	1.1
Gratuity and ex-gratia payments	0.9	0.8	0.8	0.6	0.7
Capital expenditure	3.1	4.7	8.3	5.8	9.6

Source: Ministry of Finance.

Table 11. Grenada: Operations of the National Insurance Scheme

	1992	1993	1994	1995	1996
(In millions of EC dollars)					
Current revenue	18.9	20.3	19.9	24.9	28.9
Contributions from government	5.1	4.9	5.4	5.6	5.6
Government share	2.6	2.4	2.7	2.8	2.8
Employee share	2.6	2.4	2.7	2.8	2.8
Other contributions	8.4	9.1	9.0	10.9	14.0
Other	5.4	6.3	5.5	8.4	9.3
Current expenditure	5.1	6.0	6.4	8.4	9.0
Of which:					
Wages and salaries	1.4	1.5	1.6	1.7	1.8
Goods and services	0.7	1.1	1.3	1.7	1.5
Current balance	13.8	14.3	13.5	16.6	19.8
Capital expenditure	1.7	0.2	3.4	1.9	0.6
Overall balance	12.1	14.1	10.1	14.7	19.2
Financing	-12.1	-14.1	-10.1	-14.7	-19.2
External (net)	0.0	0.0	0.0	0.0	0.0
Domestic (net)	-12.1	-14.1	-10.1	-14.7	-19.2
Commercial banks	0.4	-6.7	-2.0	-2.9	-10.1
Other financial institutions	-3.7	-3.9	-8.1	-11.5	-2.9
Central government	-9.8	-5.0	0.0	1.6	-1.7
Nonfinancial public enterprises	1.1	-0.6	0.0	1.2	0.0
Other	-0.1	2.1	0.0	-3.1	-4.6

Source: National Insurance Scheme.

Table 12. Grenada: Operations of Selected Public Enterprises 1/

(In millions of EC dollars)

	1992	1993	1994	1995	1996
I. Consolidation of the Public Enterprises					
Current revenue	68.6	74.4	73.1	44.2	45.2
Current expenditure 2/	56.6	64.6	59.1	37.0	40.7
Current surplus/deficit (-)	11.9	9.8	14.0	7.2	4.4
Capital transfers from government	0.7	0.6	4.0	-0.3	0.1
Capital expenditure	5.5	22.1	19.7	6.5	5.8
External grants	2.0	16.0	5.0	2.0	0.2
Overall balance	9.1	4.3	3.3	2.4	-1.1
Financing	-9.1	-4.3	-3.3	-2.4	1.1
External (net)	-1.6	-1.2	2.1	-1.1	-0.5
Domestic (net)	-7.6	-3.2	-5.4	-1.3	1.5
Commercial banks	-0.8	-3.2	-6.3	-1.9	5.6
Other 3/	-6.8	0.0	0.9	0.0	-4.4
II. Grenada Electricity Services					
Current revenue	30.0	35.4	35.4		
Current expenditure 2/	-23.4	-29.6	-25.4		
Current surplus/deficit (-)	6.6	5.8	9.9		
Capital transfers from government	0.0	0.0	4.0		
Capital expenditure	1.7	4.0	7.2		
Overall surplus/deficit (-)	4.9	1.8	6.8		
Financing	-4.9	-1.8	-6.8		
External (net)	-1.2	-0.6	-0.6		
Domestic (net)	-3.7	-1.2	-6.2		
Commercial banks	-0.4	-0.9	-5.9		
National insurance scheme	-2.2	-0.3	-0.3		
Other 3/	-1.2	0.0	0.0		
III. Grenada Ports Authority					
Current revenue	4.6	5.5	3.2	6.3	7.6
Current expenditure 2/	-2.8	-3.2	-1.7	-3.7	-3.5
Current surplus/deficit (-)	1.8	2.3	1.5	2.6	4.1
Capital transfers from government	0.2	0.3	0.0	-0.3	0.0
Capital expenditure	0.2	0.1	0.2	1.0	2.2

Table 12. Grenada: Operations of Selected Public Enterprises 1/ (Continued)

(In millions of EC dollars)

	1992	1993	1994	1995	1996
Overall surplus/deficit (-)	1.7	2.4	1.2	1.3	1.9
Financing	-1.7	-2.4	-1.2	-1.3	-1.9
External (net)	-0.3	-0.3	-0.3	-1.2	-0.3
Domestic (net)	-1.4	-2.0	-0.9	-0.1	-1.6
Commercial banks	-1.4	-1.8	-1.2	-0.7	-0.2
Other 3/	0.0	-0.3	0.3	0.6	-1.4
IV. National Water and Sewerage Authority 4/					
Current revenue	11.2	10.3	11.8	11.2	11.4
Current expenditure 2/	-7.3	-9.1	-9.9	-7.9	-11.2
Current surplus/deficit (-)	3.9	1.2	1.9	3.3	0.2
Capital transfers from government	0.5	0.3	0.0	0.0	0.0
Capital expenditure	2.4	17.0	11.9	2.9	2.5
External grants	2.0	16.0	5.0	2.0	0.2
Overall surplus/deficit (-)	4.1	0.6	-5.0	2.4	-2.1
Financing	-4.1	-0.6	5.0	-2.4	2.1
External (net)	-0.4	-0.3	3.2	0.3	0.0
Domestic (net)	-3.7	-0.3	1.8	-2.7	2.1
Commercial banks	0.1	-0.7	0.8	-1.0	2.1
Other 3/	-3.8	0.4	1.0	-1.7	0.0
V. Marketing and National Importing Board					
Current revenue	15.4	15.7	15.2	18.5	18.3
Current expenditure 2/	-16.4	-15.8	-14.6	-17.9	-18.4
Current surplus/deficit (-)	-1.0	-0.1	0.6	0.6	-0.2
Capital expenditure	0.6	0.1	0.5	1.8	1.0
Overall surplus/deficit (-)	-1.6	-0.2	0.0	-1.2	-1.1
Financing	1.6	0.2	0.0	1.2	1.1
External (net)	0.3	0.0	-0.2	-0.2	-0.2
Domestic (net)	1.3	0.2	0.2	1.4	1.3
Commercial banks	1.0	0.0	0.2	-0.1	1.3
Other 3/	0.3	0.2	-0.1	1.5	0.0

Table 12. Grenada: Operations of Selected Public Enterprises 1/ (Concluded)

(In millions of EC dollars)

	1992	1993	1994	1995	1996
VI. Grenada Sugar Factory					
Current revenue	7.4	7.5	7.6	8.2	7.9
Current expenditure 2/	-6.8	-6.8	-7.4	-7.5	-7.6
Current surplus/deficit (-)	0.6	0.6	0.2	0.6	0.3
Capital expenditure	0.6	0.8	0.0	0.8	0.1
Overall surplus/deficit (-)	0.0	-0.2	0.2	-0.1	0.2
Financing	0.0	0.2	-0.2	0.1	-0.2
External (net)	0.0	0.0	0.0	0.0	0.0
Domestic (net)	0.0	0.2	-0.2	0.1	-0.2
Commercial banks	0.0	0.1	-0.2	0.0	-0.6
Other 3/	0.0	0.1	0.0	0.1	0.4

Sources: Annual financial statements of individual enterprises; Ministry of Finance; and Fund staff estimates.

1/ By 1995 GRENLEC had ceased to be a state enterprise as the government sold 50 percent of its shares in GRENLEC in 1994 and 80 percent of its remaining shares in 1995.

2/ Excludes depreciation.

3/ Includes accumulated losses and gains for each year.

4/ Formerly the Central Water Commission.

Table 13. Grenada: Public Sector Investment Program, 1994-96 1/

	1994	1995	1996
(In millions of EC dollars)			
Total	63.9	40.9	69.2
Economic sectors	12.8	9.3	16.9
Agriculture	8.6	6.5	8.2
Manufacturing, mining, and quarryin	3.8	2.0	8.3
Tourism	0.4	0.8	0.4
Infrastructure	43.7	20.4	35.0
Transportation and communication	22.3	14.7	32.9
Power	10.9	0.0	0.0
Water and sewerage	6.7	5.7	1.0
Housing	3.7	0.0	1.1
Social services	4.8	7.2	6.4
Education	2.8	5.3	4.5
Health and the environment	1.0	0.4	0.5
Other social services	1.0	1.5	1.4
Other investment	2.6	4.0	10.9
Total financing	63.9	40.9	69.2
External	47.1	23.6	47.6
Domestic	16.8	17.3	21.6
(In percent of public sector investment program)			
Economic sectors	20.0	22.7	24.4
Agriculture	13.5	15.9	11.9
Manufacturing, mining, and quarryin	5.9	4.9	11.9
Tourism	0.6	1.8	0.6
Infrastructure	68.4	49.9	50.6
Transportation and communication	34.9	35.9	47.5
Power	17.1	0.0	0.0
Water and sewerage	10.5	13.9	1.5
Housing	5.8	0.0	1.6
Social services	7.5	17.6	9.3
Education	4.4	13.0	6.5
Health and the environment	1.6	1.0	0.8
Other social services	1.6	3.6	2.0
Other investment	4.1	9.8	15.8
Total financing	100.0	100.0	100.0
External	73.7	57.7	68.8
Domestic	26.3	42.3	31.2
Total PSIP in percent of GDP	9.1	5.5	8.6

Sources: Ministry of Finance; and Fund staff estimates.

1/ This represents only project related investments of the public sector and is less than the total public sector capital expenditure which also includes "capital items" such as automobiles, computers furniture, etc.

Table 14. Grenada: Consolidated Accounts of the Banking System

	December 31					
	1992	1993 1/	1993	1994	1995	1996
(In millions of EC dollars)						
Net foreign assets	63.8	67.4	68.4	104.5	153.3	126.9
Net imputed reserves (ECCB)	69.9	72.7	72.7	81.5	99.1	96.3
Commercial banks' net foreign assets	-6.1	-5.3	-4.3	23.0	54.2	30.6
Net domestic assets	311.2	334.4	385.5	398.8	397.4	473.8
Net credit to the public sector	56.1	45.7	46.3	35.6	27.7	36.4
Central government	54.8	53.9	55.2	55.3	52.8	61.0
Credit from ECCB	35.0	28.3	28.3	25.8	21.8	20.4
Credit from commercial banks	19.8	25.6	26.9	29.5	31.0	40.6
National insurance scheme	-2.2	-8.8	-8.8	-10.8	-15.1	-25.7
Nonfinancial public enterprises	3.5	0.6	-0.1	-8.9	-10.0	1.1
Net credit to other financial institutions	-16.3	-19.0	-19.9	-23.7	-27.9	-30.7
Credit to private sector	315.0	353.9	400.8	413.0	437.5	499.0
Other assets (net)	-43.6	-46.2	-41.7	-26.1	-39.9	-30.9
Money plus quasi-money	374.9	401.8	454.0	503.4	550.6	600.7
Money	100.9	105.2	109.7	123.0	131.6	131.4
Quasi-money	274.0	296.6	344.3	380.4	419.0	469.3
(Percentage change) 2/						
Net foreign assets	7.7	1.0		8.0	9.7	-4.8
Net domestic assets	0.6	6.2		2.9	-0.3	13.9
Net credit to the public sector	-7.3	-2.8		-2.4	-1.6	1.6
Central government	-6.5	-0.2		0.0	-0.5	1.5
National insurance scheme	0.1	-1.8		-0.4	-0.9	-1.9
Nonfinancial public enterprises	-0.9	-0.8		-2.0	-0.2	2.0
Credit to private sector	7.9	10.4		2.7	4.9	11.2
Other assets (net)	-1.7	-0.7		2.6	-3.6	1.1
Money plus quasi-money	8.3	7.2		10.9	9.4	9.1

Sources: Eastern Caribbean Central Bank; and Fund staff estimates.

1/ Excludes the assets and liabilities of the Grenada Cooperative Bank which were added to the monetary statistics of the ECCB in 1993.

2/ In relation to M2 at the beginning of the period. In 1993, comparison refers to changes in assets and liabilities of the banking system excluding the Grenada Cooperative Bank.

Table 15. Grenada: Operations of the Eastern Caribbean Central Bank in Grenada
(In millions of EC dollars)

	December 31				
	1992	1993 1/	1994	1995	1996
Net (imputed) international reserves 2/	69.9	72.7	81.5	99.0	96.3
Net claims on commercial banks	-58.3	-54.5	-55.6	-67.0	-63.6
Claims	0.0	0.5	0.3	0.1	0.0
Loans	0.0	0.0	0.3	0.1	0.0
Balances with banks	0.0	0.5	0.0	0.0	0.0
Liabilities	58.3	55.0	55.9	67.1	63.6
Currency held by banks	10.5	17.0	15.2	17.2	21.5
Statutory reserves	42.4	34.8	33.6	38.5	38.1
Fixed deposits	5.4	3.2	7.1	11.4	4.0
Net domestic assets	35.0	28.4	25.8	21.8	20.5
Net credit to central government	35.0	28.4	25.8	21.8	20.5
Short-term credit	14.7	5.9	2.3	2.8	3.3
Temporary advances	9.0	2.6	0.0	0.6	1.1
Treasury bills	5.7	3.3	2.3	2.3	2.2
Debentures	3.7	6.6	6.6	6.6	6.6
Other claims	16.6	15.9	15.5	12.4	11.1
Central government sinking fund deposits	0.0	0.0	0.0	0.0	-0.3
Central government other deposits	0.0	0.0	1.4	0.0	-0.2
Currency in circulation	46.6	46.6	51.8	53.8	53.2
Estimated notes issued	59.9	59.9	63	66.7	70.1
Estimated coins issued	3.7	3.7	4.0	4.3	4.6
Less: Currency held by banks	17.0	17.0	15.2	17.2	21.5

Sources: Eastern Caribbean Central Bank; and commercial banks.

1/ Includes the assets and liabilities of the Grenada Cooperative Bank which were added to the monetary statistics of the ECCB in early 1993.

2/ Refers to the imputed share of Grenada in the international reserves of the ECCB.

Table 16. Grenada: Consolidated Accounts of the Commercial Banks

	December 31					
	1992	1993	1993 1/	1994	1995	1996
(In millions of EC dollars)						
Net foreign assets	-6.1	-5.3	-4.3	23.0	54.2	30.6
Foreign assets	75.4	91.0	96.3	134.1	159.5	167.1
Foreign currency holdings	2.2	3.2	3.2	3.0	3.5	4.8
Claims on ECCB area banks	22.7	17.8	17.8	27.7	15.9	14.9
Claims on banks abroad	40.9	53.3	53.3	65.1	71.0	48.5
Other	9.6	16.7	22.0	38.4	69.0	98.8
Foreign liabilities	81.6	96.3	100.6	111.1	105.2	136.5
Balances due to ECCB area banks	1.5	0.7	0.7	0.5	0.6	6.7
Balances due to banks abroad	15.9	20.3	20.3	21.6	14.8	29.7
Nonresident deposits	63.8	75.2	79.5	88.8	89.6	100.0
Other	0.5	0.1	0.1	0.3	0.3	0.1
Net position with ECCB	55.4	48.0	53.0	54.6	56.8	59.3
Claims on ECCB	55.5	48.2	53.1	54.6	56.9	59.3
Currency holdings	10.5	14.9	17.0	15.2	17.2	21.5
Statutory reserves 2/	26.4	28.6	30.8	0.0	0.0	29.9
Current deposits 2/	9.9	1.9	2.6	29.1	30.6	0.0
Fixed deposits and call accounts	8.8	2.7	2.7	10.4	9.1	7.9
Liabilities to ECCB	-0.2	-0.1	-0.1	0.0	0.0	-0.0
Net domestic assets	279.0	312.5	358.7	374.0	385.8	457.6
Net credit to government	19.8	25.6	26.9	29.4	31.0	40.6
Treasury bills	12.0	12.9	12.9	11.7	11.6	17.8
Other securities	9.1	11.7	13.1	17.2	16.5	16.5
Loans and advances	13.4	12.5	12.5	14.1	18.3	21.6
Deposits	-14.7	-11.5	-11.5	-13.6	-15.5	-15.3
Net credit to national insurance scheme	-2.2	-8.8	-8.8	-10.8	-15.1	-25.7
Loans, advances, and investments	0.2	0.0	0.0	0.0	0.0	0.0
Deposits	-2.4	-8.8	-8.8	-10.8	-15.1	-25.7
Net credit to public enterprises	3.5	0.6	-0.1	-8.9	-10.0	1.1
Loans, advances, and investments	9.4	9.7	9.7	6.7	6.1	16.1
Deposits	-5.9	-9.1	-9.8	-15.6	-16.1	-15.0
Net credit to other financial institutions	-16.3	-19.0	-19.9	-23.7	-27.9	-30.7
Loans, advances, and investments	2.2	4.3	4.8	4.2	5.8	6.6
Deposits	-18.5	-23.3	-24.7	-27.9	-33.7	-37.3
Credit to private sector	315.0	353.9	400.8	413.0	437.5	499.0
Interbank float	-7.0	-11.0	-2.0	2.2	0.9	-0.2
Claims	4.6	3.6	13.1	13.9	24.2	15.8
Liabilities	-11.6	-14.6	-15.2	-11.7	-23.3	-16.0
Net unclassified assets	-33.8	-28.8	-38.2	-27.4	-30.6	-26.4
Liabilities to the private sector	328.3	355.2	407.4	451.6	496.9	547.6
Demand deposits	54.3	58.6	63.1	71.2	77.8	78.3
Saving deposits	173.7	200.4	233.0	267.8	292.9	326.9
Time deposits	90.4	82.5	97.6	94.7	108.1	114.1
Foreign currency deposits	9.9	13.8	13.8	17.9	18.1	28.3

Table 16. Grenada: Consolidated Accounts of the Commercial Banks (Concluded)

	December 31					
	1992	1993	1993 1/	1994	1995	1996
Loans/deposits ratio (in percent) 3/	85.5	87.3	87.7	84.7	89.2	94.1
Liquidity ratio (in percent) 4/	21.1	18.4	18.7	24.6	19.4	13.6

Source: Eastern Caribbean Central Bank.

1/ Includes the assets and liabilities of the Grenada Cooperative Bank which were added to the monetary statistics of the ECCB in early 1993.

2/ Statutory reserves were classified with current deposits beginning in 1994.

3/ Loans and advances, treasury bills, investments, and commercial bills discounted divided by total deposits (domestic and foreign).

4/ The sum of cash, current and fixed deposits at the ECCB, and claims on domestic and foreign banks divided by the sum of deposits, borrowing from the ECCB, and balances due to domestic and foreign banks.

Table 17. Grenada: Distribution of Commercial Bank Loans and Advances

	1992	1993 1/	1994	1995	1996
(In millions of EC dollars)					
Total	348.2	455.3	454.6	488.3	564.8
Public sector	26.1	42.0	40.6	34.3	56.7
Government and public enterprises, n.i.e.	11.6	12.3	17.6	17.4	21.1
Public utilities 2/	14.4	29.7	23.0	16.9	35.6
Businesses	198.1	225.3	217.0	245.5	272.3
Agriculture and fisheries	11.4	13.4	7.1	10.7	13.0
Manufacturing and mining	37.7	29.7	26.7	27.5	31.4
Distributive trades	68.5	79.4	72.2	85.6	92.0
Tourism and entertainment	32.1	52.7	51.6	58.5	67.5
Transport	15.3	20.4	20.0	23.7	28.0
Construction and land development	15.2	16.0	22.1	18.6	18.4
Professional and other services	14.5	10.9	13.1	18.1	18.6
Financial institutions	3.5	2.8	4.2	2.8	3.5
Households	123.9	188.0	197.0	208.5	235.9
House and land purchases	67.1	105.1	117.3	127.1	154.5
Durable consumer goods	17.8	19.5	18.4	20.4	27.2
Other	39.1	63.4	61.3	61.0	54.2
(In percent of total)					
Public sector	7.5	9.2	8.9	7.0	10.0
Government and public enterprises, n.i.e.	3.3	2.7	3.9	3.6	3.7
Public utilities	4.1	6.5	5.1	3.4	6.3
Businesses	56.9	49.5	47.7	50.3	48.2
Agriculture and fisheries	3.5	2.9	1.6	2.2	2.3
Manufacturing and mining	10.8	6.5	5.9	5.6	5.6
Distributive trades	20.9	17.4	15.9	17.5	16.3
Tourism and entertainment	9.8	11.6	11.4	11.9	11.9
Transport	4.4	4.5	4.4	4.9	4.9
Construction and land development	4.4	3.5	4.9	3.8	3.3
Professional and other services	4.2	2.4	2.9	3.8	3.3
Financial institutions	1.0	0.6	0.9	0.6	0.6
Households	35.6	41.3	43.3	42.7	41.8
House and land purchases	19.3	23.1	25.8	26.0	27.3
Durable consumer goods	5.1	4.3	4.0	4.2	4.8
Other	11.2	13.9	13.5	12.5	9.6

Source: Ministry of Finance (CSO).

1/ Including the Grenada Cooperative Bank's operations which were added to ECCB monetary statistics starting 1993.

2/ Includes in 1994 EC\$19.8 million for utility services provided by the private sector.

Table 18. Grenada: Structure of Commercial Banks' Interest Rates
(In millions of EC dollars)

Period Ended	Saving Deposits	Time Deposits			Prime Lending	Other Lending Rates
		3 Months	6 Months	12 Months		
December						
1988	4.0-5.0	4.0-5.0	4.0-5.5	4.0-6.0	10.5-10.5	10.5-15.0
1989	4.0-5.0	4.0-6.0	4.0-6.5	4.0-7.0	10.5-10.5	10.5-15.0
1990	4.0-5.0	4.0-7.0	4.0-7.5	4.0-8.0	10.5-10.5	10.5-15.0
1991	4.0-5.0	4.0-6.0	4.0-6.5	4.0-7.0	10.5-10.5	10.5-15.0
1992	4.0-5.0	2.0-5.0	2.0-5.5	2.5-6.0	10.5-10.5	10.5-16.0
1993	4.0-5.0	1.5-6.0	1.5-5.5	1.5-6.0	10.0-10.5	10.0-16.0
1994	4.0-5.0	1.5-4.0	1.5-4.5	1.5-6.5	10.0-10.5	10.5-16.0
1995	4.0-5.0	1.5-4.0	1.5-4.5	1.5-6.5	9.5-10.5	9.5-16.0
1996	4.0-5.0	1.5-4.0	1.5-4.5	1.5-6.5	9.5-10.5	9.5-15.5
1994						
March	4.0-5.5	1.5-4.0	1.5-4.5	1.5-5.5	10.0-10.5	10.0-16.0
June	4.0-5.5	1.5-4.0	1.5-4.5	1.5-5.5	10.0-10.5	10.0-16.0
September	4.0-5.3	1.5-4.0	1.5-4.5	1.5-5.5	9.5-10.5	9.5-16.0
December	4.0-5.5	1.5-4.0	1.5-4.5	1.5-6.5	9.5-10.5	9.5-16.0
1995						
March	4.0-5.0	1.5-4.0	1.5-4.5	1.5-6.5	9.5-10.5	9.5-16.0
June	4.0-5.0	1.5-4.0	1.5-4.5	1.5-6.5	9.5-10.5	9.5-16.0
September	4.0-5.0	1.5-4.0	1.5-4.5	1.5-6.5	9.5-10.5	9.5-16.0
December	4.0-5.0	1.5-4.0	1.5-4.5	1.5-6.5	9.5-10.5	9.5-16.0
1996						
March	4.0-5.0	1.5-4.0	1.5-4.5	1.5-6.5	9.5-10.5	9.5-16.0
June	4.0-5.0	1.5-4.0	1.5-4.5	1.5-6.5	9.5-10.5	9.5-16.0
September	4.0-5.0	1.5-4.0	1.5-4.5	1.5-6.5	9.5-10.5	9.5-15.5
December	4.0-5.0	1.5-4.0	1.5-4.5	1.5-6.5	9.5-10.5	9.5-15.5

Source: Eastern Caribbean Central Bank.

Table 19. Grenada: Balance of Payments

	1992	1993	1994	1995	1996
(In millions of U.S. dollars)					
Current account balance	-24.3	-40.3	-9.1	-5.9	-27.3
Goods and services	-36.8	-47.7	-27.0	-28.9	-51.4
Goods	-81.6	-96.6	-91.0	-102.2	-126.4
Merchandise exports (f.o.b.)	21.5	21.5	24.6	23.2	21.0
Merchandise imports (f.o.b.)	103.2	118.1	115.6	125.4	147.4
Services	44.8	48.9	64.0	73.2	75.1
Transportation	-12.0	-14.4	-17.1	-16.9	-19.4
Travel	56.6	63.3	77.1	84.9	89.4
Insurance	-5.8	-6.5	-2.8	-2.6	-3.1
Other	6.2	6.4	6.7	7.8	8.1
Income	-6.8	-9.5	-8.7	-11.8	-11.0
Compensation of employees	0.0	0.0	0.1	0.1	0.1
Investment income	-6.4	-9.2	-8.8	-11.9	-11.1
Receipts	3.3	2.7	3.5	4.8	5.7
ECCB profits	1.2	1.3	1.3	1.3	1.3
Other interest, profits, dividends	2.1	1.4	2.2	3.6	4.4
Payments	9.8	11.9	12.3	16.7	16.8
Direct investment	6.1	7.2	7.6	12.6	11.6
Official interest payments	2.5	2.5	2.1	1.1	2.0
Commercial banks	1.1	1.1	1.1	1.7	1.8
Other	0.0	1.1	1.5	1.4	1.5
Other factor income (net)	-0.4	-0.3	0.0	0.0	0.0
Current transfers	19.3	16.9	26.7	34.9	35.1
General government	0.1	-1.4	2.8	0.7	0.0
Other sectors	19.2	18.3	23.9	34.1	35.1
Migrants' transfers	8.5	8.2	11.2	16.4	16.9
Workers' remittances	10.7	10.1	13.5	19.8	20.4
Other transfers	0.0	0.0	-0.8	-2.1	-2.2
Capital and financial account	32.1	42.0	19.1	10.5	25.7
Public sector (net)	2.5	11.2	17.5	0.5	10.9
Drawings	2.9	2.9	11.0	1.6	7.7
Amortization	4.4	3.5	3.6	5.6	6.6
Other 1/	4.0	11.8	10.0	4.5	9.7
Private sector (net)	29.6	30.8	1.6	10.0	14.8
Direct investment	26.7	17.2	19.3	20.0	16.0
Commercial banks	-1.8	-0.7	-10.1	-11.6	8.8
Other	4.7	14.3	-7.6	1.6	-9.9
Insurance companies	-2.6	-2.6	-3.8	0.0	0.0
Portfolio investment	0.0	0.0	0.0	-0.9	-0.9
Other	7.3	16.9	-3.8	2.5	-9.0

Table 19. Grenada: Balance of Payments (Concluded)

	1992	1993	1994	1995	1996
(In millions of U.S. dollars)					
Overall balance	7.8	1.7	10.0	4.6	-1.6
Change in reserve assets	-7.8	-1.7	-10.0	-4.6	1.6
Change in arrears	-4.8	-0.7	-2.7	1.0	0.6
Debt forgiveness	5.1	0.0	-3.1	0.0	0.0
Change in ECCB imputed reserves	-8.1	-1.0	-4.2	-5.6	1.0
Memorandum items:					
Current account balance/GDP	-9.9	-16.1	-3.5	-2.1	-9.1
Imports/GDP	42.0	47.2	44.2	45.4	49.4
Migrant transfers/GDP	3.5	3.3	4.3	6.0	5.7
Gross travel receipts	60.3	67.4	81.4	89.5	94.3
Percentage change in:					
Exports	-13.6	-0.1	14.3	-5.7	-9.5
Imports	-9.1	14.5	-2.1	8.4	17.6
Net travel	-8.5	12.0	21.8	10.1	5.3
GDP at market prices	245.9	250.3	261.8	275.9	298.6
ECCB reserves	25.9	26.9	31.1	36.7	35.7
(In months of imports of goods and nonfactor services)	2.2	2.0	2.4	2.7	2.2

Sources: Eastern Caribbean Central Bank (ECCB); and Fund staff estimates.

1/ Includes official capital transfers.

Table 20. Grenada: Merchandise Exports, f.o.b.

	1992	1993	1994	1995	1996
(Values in millions of U.S. dollars, volumes in millions of pounds, unit values in U.S. dollars per pound)					
Total exports	21.54	21.51	24.58	23.19	20.98
Re-exports	3.17	3.99	4.47	2.23	1.59
Domestic exports	18.37	17.52	20.11	20.96	19.40
Banana					
Value	2.87	1.81	2.11	1.82	0.55
Volume	13.86	10.80	9.92	9.53	4.04
Unit value	0.21	0.17	0.21	0.19	0.14
Cocoa					
Value	2.61	3.11	2.94	3.32	2.59
Volume	2.88	3.53	2.77	3.14	3.51
Unit value	0.91	0.88	1.06	1.06	0.74
Nutmeg					
Value	2.30	2.62	4.49	3.49	4.18
Volume	3.95	4.75	6.46	3.94	4.30
Unit value	0.58	0.55	0.70	0.89	0.97
Mace					
Value	0.60	0.61	0.67	0.61	0.95
Volume	0.40	0.57	0.58	0.20	0.26
Unit value	1.52	1.07	1.16	3.00	3.65
Fresh fruit and vegetables					
Value	1.53	1.51	0.68	1.05	0.57
Clothing					
Value	0.68	0.46	1.05	1.31	1.35
Fish					
Value	1.94	2.40	3.10	3.63	3.16
Other					
Value	5.85	5.00	5.07	5.72	6.04
(Percent change)					
Total exports	-13.6	-0.1	14.3	-5.7	-9.5
Re-exports	1.0	25.8	12.1	-50.2	-28.9
Domestic exports	-15.7	-4.6	14.8	4.3	-7.5
Banana					
Value	-23.1	-36.8	16.3	-13.5	-69.9
Volume	-9.6	-22.1	-8.1	-3.9	-57.6
Unit value	3.5	-18.8	26.6	-10.0	-28.9
Cocoa					
Value	-14.6	19.0	-5.4	12.7	-21.9
Volume	-17.3	22.9	-21.7	13.5	11.8
Unit value	3.2	-3.1	20.7	-0.7	-30.1
Nutmeg					
Value	-34.6	13.9	71.6	-22.2	19.6

Table 20. Grenada: Merchandise Exports, f.o.b. (Concluded)

	1992	1993	1994	1995	1996
Volume	24.2	20.1	36.0	-39.1	9.2
Unit value	-47.3	-5.2	26.2	27.7	9.5
Mace					
Value	-40.5	0.9	10.4	-9.4	56.4
Volume	-27.9	42.7	2.2	-64.9	28.2
Unit value	-17.5	-29.2	8.1	158.5	22.0
Fresh fruit and vegetables					
Value	-13.7	-1.2	-55.0	55.4	-45.9
Clothing					
Value	-60.7	-31.7	127.9	24.8	3.0
Fish					
Value	5.0	24.0	28.8	17.2	-12.9
Other					
Value	13.9	-14.5	1.4	12.9	5.6

Sources: Statistics Department, Ministry of Finance; Growers' associations; and Fund staff estimates.

Table 21. Grenada: Merchandise Imports, c.i.f.

	1992	1993	1994	1995	1996
(In millions of U.S. dollars)					
Total imports	116.0	133.2	129.9	140.9	165.7
Recorded imports	106.6	125.5	119.4	129.5	152.2
Food	27.5	28.7	28.9	32.6	36.4
Beverages and tobacco	2.1	3.1	2.4	2.6	2.6
Crude materials	3.0	3.9	4.6	3.5	4.9
Fuel	8.6	15.6	9.2	10.1	15.1
Animal and vegetable oils	0.4	0.5	0.5	0.7	0.6
Chemicals	10.0	10.7	10.1	11.3	12.2
Manufactured goods	20.4	23.9	23.6	24.8	29.0
Machinery and transport equipment	24.2	24.6	26.2	28.2	33.7
Miscellaneous manufactured goods	10.4	14.5	13.9	15.7	17.6
Unrecorded imports	9.4	7.7	10.5	11.4	13.4
Total imports (percent of GDP)	47.4	53.5	49.6	51.1	55.5
(In percent of recorded imports)					
Food	25.8	22.9	24.2	25.2	23.9
Beverages and tobacco	2.0	2.4	2.0	2.0	1.7
Crude materials	2.8	3.1	3.9	2.7	3.2
Fuel	8.1	12.4	7.7	7.8	9.9
Animal and vegetable oils	0.4	0.4	0.4	0.5	0.4
Chemicals	9.4	8.6	8.5	8.7	8.0
Manufactured goods	19.1	19.1	19.8	19.2	19.1
Machinery and transport equipment	22.7	19.6	21.9	21.8	22.2
Miscellaneous manufactured goods	9.8	11.6	11.6	12.1	11.6
(Percentage change)					
Total imports	-16.4	14.9	-2.5	8.5	17.6
Recorded imports	-9.1	17.7	-4.8	8.4	17.5
Food	-1.7	4.4	0.6	12.8	11.8
Beverages and tobacco	0.4	46.0	-21.6	10.0	-0.6
Crude materials	-0.4	28.6	19.3	-23.0	37.0
Fuel	-0.5	80.9	-40.8	9.2	49.8
Animal and vegetable oils	-5.3	20.4	-4.6	46.8	-3.8
Chemicals	0.0	7.4	-5.8	11.6	8.2
Manufactured goods	-13.9	17.4	-1.3	4.9	16.9
Machinery and transport equipment	-14.7	1.5	6.6	7.6	19.7
Miscellaneous manufactured goods	-20.1	39.6	-4.3	12.8	12.2
Unrecorded imports	-56.4	-17.6	36.0	8.5	17.6

Sources: Statistics Department, Ministry of Finance; and Fund staff estimates.

Table 22. Grenada: Terms of Trade

(Indices 1987 = 100)

	1992	1993	1994	1995	1996
Bananas	90.4	73.3	92.8	83.5	59.4
Cocoa	86.1	83.3	100.6	99.9	69.8
Nutmeg	21.5	20.4	25.7	32.9	36.0
Mace	30.2	21.4	23.1	59.7	72.8
Nontraditional agricultural	104.0	102.1	107.3	116.0	120.9
Manufacturing	113.3	107.3	111.8	118.0	118.9
Total merchandise exports 1/	73.5	66.8	76.5	81.3	75.9
Percentage change	-6.4	-9.1	14.5	6.3	-6.7
Tourism index 2/	118.1	120.8	127.7	135.1	139.0
Percentage change	0.2	2.3	5.7	5.8	2.9
Export prices (composite index) 3/	102.5	101.9	109.8	116.3	116.9
Percentage change	-1.5	-0.6	7.7	6.0	0.5
Import prices 4/	113.3	107.3	111.8	118.0	118.9
Percentage change	0.5	-5.3	4.2	5.6	0.7
Merchandise terms of trade	64.9	62.3	68.5	68.9	63.9
Percentage change	-6.9	-4.0	9.9	0.7	-7.3
Total terms of trade 5/	90.5	95.0	98.2	98.5	98.3
Percentage change	-2.0	5.0	3.4	0.3	-0.2

Sources: Ministry of Finance; and Fund staff estimates.

1/ Weighted by the share of each component in total in 1990.

2/ Based on growth rates of hotel room rates, food and beverage prices, and import unit values.

3/ Weighted by the average shares in exports of goods and tourism (35 percent for merchandise, 65 percent for tourism).

4/ Based on export unit values of Grenada partner suppliers, weighted by Grenada's imports.

5/ Includes tourism.

Table 23. Grenada: Selected Tourism Data

	1992	1993	1994	1995	1996
Total arrivals (thousands)	290.6	301.8	317.6	369.3	386.0
Stayover arrivals	71.9	77.8	92.2	89.6	91.2
United States	24.4	30.4	30.5	30.0	30.4
Canada	4.2	4.2	5.0	3.9	4.2
West Indies	15.8	13.7	14.7	14.7	14.4
United Kingdom	10.3	11.2	17.7	18.5	19.6
Germany	5.4	6.0	7.3	6.3	7.0
Other	11.8	12.3	17.0	16.5	15.7
Cruiseship passengers	195.9	200.1	200.8	249.9	267.0
Nonresident Grenadians	15.7	16.2	16.7	18.1	17.0
Excursionists	7.2	7.8	7.9	11.5	10.8
Volume of tourism (thousand days)	759.8	825.0	929.7	985.6	1013.7
Stayover arrivals 1/	615.5	677.2	781.2	799.3	816.1
Cruiseship passengers	137.1	140.0	140.6	174.9	186.9
Excursionists	7.2	7.8	7.9	11.5	10.8
Weighted daily expenditure per visitor (US\$)	79.3	81.7	87.5	90.8	93.0
Stayover arrivals 1/	89.8	91.9	97.1	102.7	105.7
Cruiseship passengers	34.7	35.4	37.5	39.6	40.8
Excursionists	32.3	33.0	34.9	36.9	38.0
Total expenditure (US\$ million)	60.3	67.4	81.4	89.5	94.3
Stayover arrivals 1/	55.3	62.2	75.8	82.1	86.2
Cruiseship passengers	4.8	5.0	5.3	6.9	7.6
Excursionists	0.2	0.3	0.3	0.4	0.4
(Percentage share of stayover visitors)					
United States	34.0	39.1	33.0	33.4	33.3
Canada	5.8	5.4	5.4	4.4	4.6
West Indies	22.0	17.6	16.0	16.3	15.7
United Kingdom	14.3	14.4	19.2	20.6	21.5
Germany	7.5	7.7	7.9	7.1	7.7
Other	16.4	15.8	18.4	18.3	17.2
(Annual percentage changes)					
Total arrivals	0.9	3.8	5.3	16.3	4.5
Stayover visitors	4.1	8.2	18.6	-2.6	1.5
Total expenditure (US\$ million)	10.6	11.9	20.7	10.0	5.4
Volume of tourism (days)	11.6	12.5	21.9	8.3	5.0

Sources: Grenada Tourist Board; Ministry of Finance; and Fund staff estimates.

1/ Including nonresident Grenadians.

Table 24. Grenada: Summary of Public and Publicly Guaranteed External Debt

	1992	1993	1994	1995	1996
(In millions of U.S. dollars)					
Debt outstanding at end-year	91.0	87.3	84.2	84.3	85.5
Valuation adjustment	-6.7	-3.1	-10.5	4.1	0.0
Drawings on official debt	2.9	2.9	11.0	1.6	7.7
Scheduled debt obligations	6.9	6.0	5.7	6.7	8.6
Interest	2.5	2.5	2.1	1.1	2.0
Principal	4.4	3.5	3.6	5.6	6.6
Actual debt-service payments	11.7	6.7	8.4	5.7	8.0
<i>Of which:</i>					
Interest	2.5	2.5	2.1	1.1	2.0
Principal	4.4	3.5	3.6	5.6	6.6
Change in arrears	-4.8	-0.7	-2.7	1.0	0.6
Stock of arrears (end of year)	10.3	9.6	6.9	7.9	8.5
Interest	1.0	0.3	0.3	0.3	0.3
Principal	9.3	9.3	6.6	7.7	8.2
(In percent)					
Memorandum items:					
Debt outstanding/GDP	37.0	34.9	32.2	30.6	28.6
Debt-service obligations/exports of goods and nonfactor services	8.2	6.6	5.3	5.8	7.3
Stock of arrears/GDP	4.2	3.8	2.6	2.9	2.9
Average annual interest rate	2.6	2.8	2.4	2.4	2.1

Sources: Ministry of Finance; and Fund staff estimates.

Table 25. Grenada: External Public Debt by Creditor

	1992	1993	1994	1995	1996
(In million of U.S. dollars)					
Total debt (end of period) 1/	91.0	87.4	84.1	84.3	85.4
Central government debt	74.0	68.7	74.9	75.6	77.1
Official creditors	56.6	67.7	66.2	68.0	70.9
Caribbean Development Bank	19.8	20.6	27.1	29.0	28.3
OPEC Fund	3.1	2.6	2.6	2.5	3.5
United Kingdom	8.1	17.9	7.0	6.9	6.4
Government of Algeria	1.1	1.2	0.6	0.6	0.6
European Investment Bank	0.5	0.7	0.0	0.0	0.0
Government of Libya	5.0	5.0	5.0	5.0	5.0
IBRD/IDA	6.7	7.2	7.2	7.1	7.1
International Fund for Agricultural Development (IFAD)	1.7	2.2	1.1	0.8	0.7
Government of Taiwan	10.2	10.0	10.0	10.0	9.3
Venezuelan Investment Fund (VIF)	0.4	0.4	1.6	1.5	1.5
European Economic Community	0.0	0.0	0.4	0.4	0.4
Caisse Francaise de Development	0.0	0.0	3.4	3.7	3.9
Kuwait Fund	0.0	0.0	0.3	0.3	2.9
Peek Traffic Ltd. BVI	0.0	0.0	0.0	0.0	1.1
Commercial creditors	17.4	1.0	8.7	7.6	6.2
United Kingdom	16.3	0.0	7.9	6.7	5.9
Cable and Wireless	3.0	0.0	0.0	0.0	0.0
Plessey Airports, Ltd. 3/	13.3	0.0	7.9	6.7	5.9
Bank of Brazil	0.1	0.0	0.0	0.0	0.0
Capital Bank of Washington	0.4	0.5	0.3	0.4	0.3
Metex	0.6	0.5	0.4	0.4	0.0
Government-guaranteed debt	17.0	18.7	9.3	8.7	8.3
Official borrowing	16.5	18.6	9.2	8.7	8.3
Caribbean Development Bank	11.6	13.7	7.9	7.5	7.1
Export Development Corporation of Canada	0.0	0.0	0.0	0.0	0.0
Canadian International Development Agency	0.0	0.0	0.0	0.0	0.0
Commonwealth Development Corporation	0.0	0.0	0.0	0.0	0.0
European Investment Bank	4.9	5.0	1.4	1.2	1.2
Caisse Centrale	0.0	0.0	0.0	0.0	0.0
Commercial borrowing	0.5	0.2	0.0	0.0	0.0
Barclays Bank	0.5	0.2	0.0	0.0	0.0
Canada (Northern Telecom)	0.0	0.0	0.0	0.0	0.0

Sources: Ministry of Finance; annual statements of the public enterprises; and Fund staff estimates.

1/ Outstanding debt figures include valuation adjustments for exchange rate changes and other stock adjustments.

2/ The outstanding amount of this debt was canceled in early 1992 following a payment of US\$1.1 million.

3/ Arrears on this loan were rescheduled in late 1991.

Table 26. Grenada: Arrears on External Public Debt
(In millions of U.S. dollars; end of period)

	1992		1993		1994		1995		1996					
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Total				
Total arrears	10.2	0.3	10.5	9.4	0.3	9.7	6.6	0.3	6.9	7.7	0.3	8.2	0.3	8.5
Official creditors	9.5	0.2	9.7	9.0	0.2	9.1	6.2	0.1	6.3	7.2	0.1	7.7	0.1	7.8
Caribbean Development Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPEC Fund	2.0	0.0	2.0	2.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
United Kingdom	1.6	0.0	1.6	1.0	0.0	1.0	0.6	0.0	0.6	1.6	0.0	2.1	0.0	2.1
Algeria	0.6	0.1	0.7	0.6	0.1	0.7	0.6	0.1	0.7	0.6	0.1	0.6	0.1	0.7
Libya	5.0	0.0	5.0	5.0	0.0	5.0	5.0	0.0	5.0	5.0	0.0	5.0	0.0	5.0
IFAD	0.4	0.1	0.5	0.4	0.1	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	0.7	0.1	0.8	0.4	0.1	0.5	0.4	0.2	0.6	0.4	0.2	0.5	0.2	0.7
Metex	0.4	0.1	0.5	0.4	0.1	0.5	0.4	0.2	0.6	0.4	0.2	0.5	0.2	0.7
FINEXPO	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bank of Brazil	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Ministry of Finance; Annual Statements of the public enterprises; and Fund staff estimates.

Table 27. Grenada: Effective Exchange Rates
(1990 = 100)

		Real Effective Exchange Rate	Nominal Effective Exchange Rate
Quarterly averages			
1992	I	99.2	113.7
	II	99.1	116.1
	III	95.3	115.2
	IV	99.9	124.1
1993	I	102.3	130.2
	II	102.8	135.5
	III	104.0	142.4
	IV	105.1	148.9
1994	I	105.8	155.9
	II	104.2	161.2
	III	101.5	160.7
	IV	100.5	159.5
1995	I	99.3	158.8
	II	97.4	155.7
	III	98.1	157.5
	IV	98.9	158.6
1996	I	99.9	160.4
	II	100.2	161.6
	III	100.9	160.9
	IV	101.0	161.2
1997	I	102.5	165.6
End of period exchange rate index			
1991		96.4	110.3
1992		101.0	126.4
1993		106.2	151.5
1994		101.3	161.0
1995		99.2	159.4
1996		101.2	161.6

Source: IMF Information Notice System.

Table 28. Grenada: Taxes in the OECS Countries—1997

	Anguilla 1/	Antigua/ Barbuda	Dominica	Grenada	Montserrat 1/	St. Kitts/ Nevis	St. Lucia	St. Vincent/ the Grenadines
Taxes on international trade and transactions								
Import duty (in percent)	5-35	5-35	5-40	5-25	5-40	5-30	5-30	5-25
Consumption tax (in percent)	None	15-30	25	15-55	2.5-35	15	4-30	5-35
Custom service charge (in percent)	None	5	1	5	8	3	4	2.5
Travel tax (in percent)	None	10	EC\$30	10	None	10	2.5-5 2/	5
Cruiseship passenger tax	None	US\$6	US\$5	US\$3	None	US\$10	US\$5	US\$10
Taxes on domestic goods and services								
Hotel accommodations (in percent)	8	8.5 3/	5	8	7	10	8	7
Consumption tax (in percent)	None	15	25	5-10	None	4-15	4-30	5-35
Bank deposit levy (in percent)	0.3	None	1	None	1.5	None	None	1
Taxes on income and profits								
Personal income tax	None	None 4/	Yes	Yes	Yes	None 5/	Yes	Yes
Income tax threshold (gross income in EC\$) 6/	None	\$6,500	\$12,000	\$60,000	\$13,000	None	\$10,000	\$10,000
Corporate income tax (in percent)	None	40	30	30	30	40	33.3	40
Withholding tax - dividends (in percent)	None	15 7/	15	0	15	10	25	25 8/
Memoranda Items								
GDP per capita (EC\$)		\$23,700	\$8,615	\$8,783		\$5,477	\$11,131	\$6,330
GDP per capita (US\$)		\$8,778	\$3,190	\$3,253		\$2,029	\$4,123	\$2,244

Sources: Eastern Caribbean Central Bank; and Fund staff estimates.

1/ Data refer to 1996.

2/ 2.5 percent within CARICOM, 5 percent outside CARICOM.

3/ Includes a guest tax of 6.5 percent, plus a guest levy of 2 percent. There is also a bed tax of US\$2-6 per night.

4/ In Antigua legislation exists for the payment of taxes on income earned by nonresidents. Residents pay no taxes on income but an education levy must be paid on all income in excess of EC\$6,500.

5/ In St. Kitts and Nevis, while residents pay no taxes on income, a social service levy is imposed on all wages and salaries with employees and employers contributing 2 percent each.

6/ Some thresholds are explicit while others (St. Lucia, St. Vincent and the Grenadines, and Dominica) are inferred from the personal allowance that an individual can deduct from his gross income.

7/ Only for nonresidents.

8/ Legislation is currently in Parliament to remove this tax.

Table 29. Grenada: Summary of the Tax System as of June 30, 1997

Type of Tax	Tax	Tax Base	Tax Rate	Exemptions 1/
1. Income taxes	a. Personal income tax	Personal income in excess of EC\$60,000	30 percent	None
	b. Corporate tax	Net business income	30 percent	Only on the basis of Cabinet approved tax holidays
2. Property taxes	a. Property tax	Market value of property in excess of EC\$100,000	0.15 percent	None
	b. Transfer tax	Property sales in excess of EC\$20,000	5 percent	None
3. Taxes on domestic goods and services	a. General consumption tax	Locally manufactured goods	10 percent	None
		Room and food services of hotels	8 percent	None
		Overseas telephone calls	10 percent	None
		Other services	5 percent	None

Table 29. Grenada: Summary of the Tax System as of June 30, 1997

Type of Tax	Tax	Tax Base	Tax Rate	Exemptions 1/
	b. Motor vehicle tax	Vehicle purchases.		
		If capacity is:		
		• 1,200 cc or less	10 percent	None
		• above 1,200 cc	15 percent	None
	c. Annual stamp tax	On gross business receipts (the maximum amount payable is EC\$100,000)		None
		• receipts over EC\$30,000 but not exceeding EC\$100,000	0.25 percent	
		• receipts exceeding EC\$100,000	0.50 percent	
4. Taxes on international trade	a. Import duties based on the Common External Tariff Schedule of CARICOM	All imports from outside CARICOM (c.i.f. value)	5-30 percent. Higher rates on certain imports, mainly foodstuffs	<ul style="list-style-type: none"> • Diplomatic missions, international organizations and personnel • Goods for educational and cultural purposes • Personal effects • Approved shipping or air freight • Imports made by persons, businesses, and organizations authorized by Cabinet

Table 29. Grenada: Summary of the Tax System as of June 30, 1997

Type of Tax	Tax	Tax Base	Tax Rate	Exemptions 1/
b. General consumption tax	General consumption tax	All imports (c.i.f. value plus the import duty)	General rate is 25 percent but rates of 0, 10, and 15 percent are applied under special schedules. Also, a rate of 50 percent is applied on imported fuel, and new cars and a rate of 55 percent is applied on imports of used cars.	<ul style="list-style-type: none"> • Diplomatic missions, international organizations and personnel • Goods for educational and cultural purposes • Personal effects • Approved shipping • Imports made by persons, businesses, and organizations authorized by Cabinet
c. Customs service charge	Customs service charge	All imports (c.i.f. value)	5 percent	Personal and household effects. The telephone company and the flour mill company are exempted by special legal agreements
d. Petrol tax	Petrol tax	Gasoline sales	EC\$0.11 per liter	None
e. Cruiseship passenger tax	Cruiseship passenger tax	Cruiseship passengers disembarking at the Port	EC\$8.10 per person	None
f. Airline ticket tax	Airline ticket tax	Persons traveling abroad	10 percent	None

Table 29. Grenada: Summary of the Tax System as of June 30, 1997

Type of Tax	Tax	Tax Base	Tax Rate	Exemptions 1/
5. Other taxes	g. Embarkation tax	Persons embarking at the airport for international flights	EC\$25.00 per person	Diplomats, staff of international agencies
	h. Security tax	Persons embarking at the airport for international flights	EC\$10.00 per person	Diplomats, staff of international agencies
	a. Stamp duty	Receipts of commerce, certificates and legal documents	Various rates. Some specific, other ad valorem	None
6. Licenses 2/	a. Professional activity	Professionals (accountants, doctors, lawyers, contractors, etc.)	EC\$500 per annum	None
	b. Business	Commercial banks Guest houses Insurance companies Car dealerships Racing pools Travel agencies Hotels	EC\$20,000 per annum EC\$600 per annum EC\$2,500 per annum EC\$5,000 per annum EC\$2,000 per annum EC\$1,000 per annum EC\$1,000 less than 21 rooms EC\$1,500 21-90 rooms EC\$2,500 over 90 rooms EC\$60,000 per annum	None
		Offshore banks		

Table 29. Grenada: Summary of the Tax System as of June 30, 1997

Type of Tax	Tax	Tax Base	Tax Rate	Exemptions 1/
	c. Motor vehicles	All private and commercial vehicles	Various flat fees (according to weight)	None
	d. Other licenses	Cinemas Duty free shops Commission agencies Clubs A variety of other commercial activities	A wide variety of flat annual fees	None

Source: Eastern Caribbean Central Bank.

1/ Refers to exemptions applicable to the private sector and the rest of the public sector apart from the central government.

2/ List of licences is not exhaustive.

Table 30. Grenada: List of Price Control Items and Permitted Margins at Wholesale and Retail Levels, as of August 30, 1997

	Wholesale	Retail
(In percent)		
Grocery Items		
Bacon and ham (unsliced)	7.5	15.0
Biscuits	7.5	15.0
Corned beef	7.5	15.0
Mackerel (canned)	5.0	10.0
Mackerel (pickled)	7.5	15.0
Bathroom tissue	7.5	15.0
Bloaters	7.5	15.0
Fruit juices	7.5	15.0
Rice (bulk)	7.5	15.0
Rice (packet)	7.5	15.0
Sardines (canned)	5.0	10.0
Poultry feed (local, including packaging) 1/	15.0	20.0
Butter: Cooking	7.5	15.0
Table/packets/others	10.0	15.0
Cheese (processed/unrefrigerated/others)	10.0	15.0
Chicken (imported back and neck)	12.5	15.0
Other parts	15.0	20.0
Cooking oil (deodorized)	7.5	12.5
Fish (salted)	7.5	15.0
Flour 2/	7.5	15.0
Milk: powdered in bulk	10.0	15.0
powdered in packets	10.0	15.0
Infants' formula	7.5	15.0
Other	7.5	15.0
Sardines (canned)	5.0	10.0
Sausages (unsliced)	5.0	10.0
Sugar (refined and unrefined)	10.0	15.0
Simulated cocoa beverages (cocoa)	7.5	15.0
Lard and margarine substitutes:	7.5	15.0
Pails	10.0	15.0
Cans/others	7.5	15.0
Meats (canned)	10.0	15.0
(frozen) 1/	15.0	20.0
(pickled)	7.5	15.0
Onions and potatoes	10.0	20.0
General Items		
Fencing wire (all kinds)		30.0
Galvanise (aluminum sheets)		25.0
Iron and steel (reinforcing rods etc.)		30.0
Lumber (imported, all kinds)		25.0
Nails		20.0
Paints 1/		25.0
Flashlights and bulbs		33.3
Fountain pens, propelling pencils, and ballpoint pens (including refills)		36.0
School books and exercises		20.0
Stationery (including pencils)		33.3
Underwear (ladies and children)		35.0
Agricultural implements		33.3
Cement (in bags)	5.0	15.0
Cutlasses, forks, hoes, and machetes		25.0
Drugs (patent and proprietary medicines)		
(Items with expiry dates)	20.0	40.0
(All others)	20.0	30.0

Table 30. Grenada: List of Price Control Items and Permitted Margins at Wholesale and Retail Levels, as of August 30, 1997

	Wholesale	Retail
(In EC cents)		
Petroleum products 3/		
Gasoline	0.95	0.65
Kerosene	0.90	0.35
Diesel	0.95	0.59
Liquid petroleum gas (per pound) 4/	0.35	

Source: Ministry of Finance.

1/ Maximum percentage which may be added by distributors to ex-factory price.

2/ Only when imported.

3/ Prices are determined using the mean of the Platts Oilgram for the Caribbean to which taxes, duty and freight are applied to obtain the landed price. This price is adjusted (with a ten-day delay) whenever the change in the mean derived from the oilgram is equal or greater than US2.5 cents.

4/ Retail margins are EC\$8 per 100 pound cylinder and EC\$1.60 per 20 pound cylinder.

